

Russian 'peacekeepers' raise imperialism fears CSCE defers peace mandate

Doubts are growing over Moscow's 'army abroad'

As the Conference for Security and Co-operation in Europe mulls over the new Russian military doctrine which provides for the stationing of Russian troops in the "near abroad", Colonel Ivan Malevitch, in the remote republic of Tajikistan, is laying plans.

As spokesman for the newly-created 25,000-strong Russian and Central Asian "peacekeeping" force, he is already plotting to paint his vehicles blue. "We need to do this to show that we are proper peacekeepers," says Col Malevitch, who is charged with explaining Russia's military presence in Tajikistan, the scene of a bloody 18-month civil war between the government and Islamic rebels.

His task will be delicate. With the Russian army now actively engaged in the Caucasus, Moldova and Tajikistan, fears that Russia could be engaged in a new military imperialism under the "peacekeeping" guise have been one of the key issues dogging the CSCE meeting.

In Georgia, Russian troops are guarding the railways in defence of the Georgian government, and in exchange have

received permission to run five military bases, including three Black Sea ports. This has prompted Mr Tangiz Chachava, the "ambassador" in Moscow of Georgian rebel leader Mr Zviad Gamsakhurdia, to claim that "it should be clear to all countries now that what is at stake in Georgia is the resumption of Russian rule".

In Azerbaijan 200 Russian military advisers are covertly supporting the Azerbaijan government in exchange for a share in Azerbaijan oil fields for Russia's state oil group Lukoil, according to Azeri officials.

But it is the 700-mile Tajik-Afghan border which could prove critical in defining Russia's policies in the "near abroad", not least because the area is already an embryo for any future CIS-wide peacekeeping force.

To try to allay western fears, Mr Andrei Kosyrev, Russian foreign minister, recently suggested that the operations be given a United Nations or CSCE mandate, insisting that "Russia's withdrawal from its peacekeeping role would threaten the former Soviet Union with a Yugoslav scenario".

The proposal has already provoked outrage from some Baltic and central European countries as well as some UN officials, who point out that the UN stipulates that "peacekeepers" cannot be taken from adjacent countries.

Nevertheless the proposals have received a more tolerant hearing in Britain, France and Germany, where there is a grudging acceptance that Russia has legitimate security concerns on its borders - and that

By Gillian Tett and Steve Levine

a Russian-held peace might be better than no peace since the UN is in no position to provide peacekeepers.

However, as western diplomats admit, the problem is that Russia's longer-term policy in these areas remains unclear, with the Russian army and Russian foreign ministry apt to speak with different tongues.

Mr Kosyrev, for his part, insists that Russian troops are needed in Tajikistan, for example, to protect the 200,000 Russians in Tajikistan and prevent the rebels based in Afghanistan from spreading "Islamic extremism" into its southern flank.

In Dushanbe General Boris Pyankov, acting commander of the peacekeeping force, denies that Russia has any "imperialistic" aim, pointing out that all the Russian forces, including the locally based 201 division, are now under a joint command structure.

This structure, drawn up between Russia, Tajikistan, Kazakhstan, Kyrgyzstan and Uzbekistan in August, envisages a six-month peacekeeping

term, renewable at the Tajik government's request.

But this multilateral control is largely a diplomatic figleaf - most of the heavy weapons remain in the hands of the Russians. With the Russian troops now in effect propping up the Tajik government, Mr Abdumalik Abduladjanov, the Tajik prime minister, admits that the troops are likely to be in the country "for a long time".

So far western observers in Dushanbe have retained a discreet silence on the issue. "I don't think the United Nations will come out openly with official support. But I think they will give a tacit nod," explains one diplomat.

Even if the west accepts Russia's role on the border, it is likely to insist on strong international scrutiny, which may involve a demand that the troops maintain a dialogue with both sides. There has been little evidence of this recently in Tajikistan or Georgia, and in Moldova the Russian forces have openly sided with the local Russians.

With the mission in Tajikistan likely to be unwinnable, questions also remain about Russia's patience. After 25 Russians were massacred by the opposition on the border in summer, Russian leaders know public opinion in Russia could become less tolerant. On the ground Russia's presence has already made the opposition virulently anti-Russian.

"Russia will pay for this in the future - we blame the Russian government for this," says Davlat Usmon, opposition leader from his stronghold in the Fanning. And in Afghanistan itself, opposition forces are already reported to be offering \$350,000 for the head of a Russian commander.



Russian troops inspect abandoned weapons at an Islamic rebel base in Tajikistan recently

Foreign ministers of the 52-nation Conference on Security and Co-operation in Europe yesterday postponed a decision on Russia's bid for a CSCE mandate for its "peacekeeping" operations in the former Soviet Union.

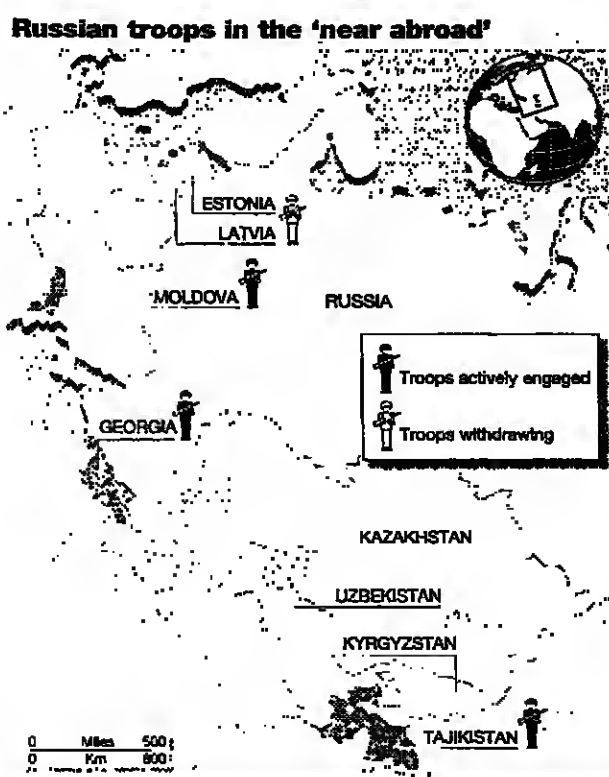
However, they did ask the CSCE secretariat in Vienna to draw up a set of rules as a basis for the sanctioning of military intervention by Russian forces. These are likely to emphasise the timely dispatch of armed monitors to potential trouble spots and the setting up of parallel political dispute-settling processes.

Former Soviet states have been arguing that approval for Russian military peacekeeping in former Soviet territories would constitute a new "Yalta agreement", creating two security zones in Europe. But western diplomats argue that the west is unlikely to provide troops to address the security risks in Transcaucasia and central Asia.

With elections in Russia looming, ministers also wanted to avoid any hint of rejecting the Russian proposals. But Mr Anatoli Zlenko, the Ukrainian foreign minister refused to be restrained by electoral considerations when he strongly rebuffed the attack on Ukraine's nuclear policies made on Tuesday by Mr Andrei Kosyrev, the Russian foreign minister.

Dismissing Russia's claim that Ukraine's slow and partial ratification of the US-Soviet Start 1 agreement was re-creating a nuclear risk in Europe, Mr Zlenko said "everyone knows that the nuclear button remains in Russian hands and that Ukraine has no intention of obtaining operational control".

Quentin Peel adds from Bonn: France and Germany yesterday called for the Western European Union, as the arm of common defence policy in the European Union, to become a vehicle for bringing the countries of eastern Europe closer to western defence structures - but stopping short of full Nato membership.



Moscow looks set for Baltic withdrawal

By Matthew Kaminski in Riga

Russia appears ready to rethink its regional military presence in the Baltics after it recently proposed to withdraw from all but one of its strategic bases in the Baltic states.

In recent bilateral talks with Latvia and Estonia, which resume tomorrow, Russia

offered to return the nuclear submarine training base at Paldiski, Estonia, as well as the Ventspils satellite listening post and Liepaja naval base by next August, or soon after.

Although no agreement has been signed, western diplomats note a change of tone in the long-running negotiations, and place special weight on

the explicit offer to leave Liepaja.

A military expert said this means Russia must now reduce its Baltic Sea naval fleet since the some 50 vessels at Liepaja cannot be stationed in Paldiski, the Kaliningrad port, or Kronstadt, near St Petersburg, which are both full.

However, Russia wants to

keep the early warning radar station in Skrunda in Latvia under military control for six more years, until a similar facility is built in Baranovich, in Belarus.

Mr Valdis Birkavs, Latvian prime minister, said Latvia could accept civilian control for 18 months, but only with "international guarantees".

Roughly 16,500 soldiers are

left in Latvia and Estonia. Russia's defence ministry is said to want some troops from the Baltic rim moved to "hot spots" in the Transcaucasus and central Asian states.

Until then, however, neighbouring states are worried about the troop build-up in Kaliningrad, where more than 100,000 soldiers plus equipment are concentrated.

EU warns it may use force to free blocked aid in Bosnia

By Laura Silber in Geneva and Lionel Barber in Brussels

The Belgian presidency of the European Union yesterday served notice that Europe was ready to use force against local warlords blocking the flow of humanitarian aid in Bosnia.

The warning followed talks in Brussels between Mr Jacques Delors, European Commission president, and Mr Warren Christopher, US secretary of state, which helped lay the groundwork for next month's visit by President Bill Clinton to Europe and a Nato summit.

The talks were a clear effort to patch over the political rift which surfaced in the transatlantic relationship earlier this

year, principally over US support for arming the Bosnian Muslims against the Serbs.

Mr Christopher said the US opposed using the threat of a suspension of humanitarian aid as a lever on the Bosnian government to offer concessions in the Geneva peace talks.

Meanwhile, Bosnian government officials yesterday signalled for the first time that they might accept the partition of the Bosnian capital of Sarajevo.

Mr Muhamed Sacirbey, Bosnia's ambassador to the UN said: "If the division is what we need to save lives...the Serbs are insisting on it, while we are wondering how to survive the winter."

A member of the Serb delegation yesterday said he believed the two sides were on the verge of making a deal.

He said Serbs had offered to make territorial concessions outside of Sarajevo, if they were given 40 per cent of the capital.

Muslim leaders reportedly rejected the Serbian proposal to exchange two industrial suburbs, Vogosca and Ilidja, in exchange for the Muslim enclaves of Srebrenica and Zepa, eastern Bosnia. Mr Alija Izetbegovic, the Bosnian president, had earlier put forward a map outlining a mostly Muslim republic.

Speaking on condition of anonymity, a member of the

Bosnian Serb delegation yesterday dismissed the map as "maximalist".

In addition to Muslim demands for eastern Bosnia, a key sticking point remains their plan to gain a land connection to the Adriatic and a 10km stretch of the coast.

Croat leaders this week reiterated their refusal to hand over any portion of the coast.

In exchange for the gradual lifting of sanctions on Belgrade, the European Union "action plan" says Serb leaders must hand over 3-4 per cent more land to their Muslim adversaries, in addition to the 20 per cent of land envisaged in the plan brokered by the international mediators.

British women 'given raw deal'

By David Marsh European Editor

Women in Britain live less long, work harder, and are less likely to become MPs or ministers than almost anywhere else in western Europe, according to the European statistics office Eurostat.

They have to cope with lower levels of maternity benefits than in most other members of the European Union, as well as a larger gap compared with male wages. British women are also far more likely to be left at home to bring up the children.

Female unemployment is higher than male in every EU country apart from Britain. The female rate is more than twice the male level in Greece, Belgium, Italy and Portugal. British women's relatively low unemployment is partly explained by greater opportunities for part-time work.

In nearly every other category, British women are at or close to the bottom of the Euroleague. Ms Jill Chesworth, spokeswoman for the Equal Opportunities Commission, an independent body set up to counter sex discrimination, said the findings confirmed British men and women alike were getting "a raw deal" as a result of UK economic decline.

Women in the European Community - Eurostat, Brussels, April 1993, p. 20022 Luxembourg

Let Moscow join European Union, says Séguin

By David Buchan in Paris

Mr Philippe Séguin, president of the French national assembly, last night called for radical changes in the European Union to widen its membership to Russia, to create a European Security Council, and to relaunch the European economy with interest rate cuts and massive public borrowing.

The impact of the views of Mr Séguin, who led last year's French referendum campaign against Maastricht, and the degree to which they might rock the foundations of the Balladur government's European policy, may depend in part on the outcome of the Galt negotiations.

If a Galt crisis were seriously to divide the French government, and particularly Mr Edouard Balladur from his party leader, Mr Jacques Chirac, then the latter might lend a sympathetic ear to some of Mr Séguin's views, at least those on economic and monetary policy.

Mr Séguin, who has led the criticism of government policy, particularly its failure to stem unemployment, within the prime minister's own RPR Gaullist party, has been competing with Mr Balladur for Mr Chirac's ear.

The National Assembly pres-

ident shares much of the Euroscepticism prevalent in London.

But, in his speech last night to a Paris university audience, he pushed the thesis of a wider-than-deeper European integration further than any British conservative minister would dare or probably want to.

He called for the EU to consolidate the peace of Europe by extending its membership to Russia, Ukraine and Belarus. Capping his vision of a "Grand Europe" would be a European Security Council, modelled on the United Nations version with four or five main European powers on it and able to dispatch peace-keeping forces throughout the continent.

To stop Europe's "collective suicide" in the form of ever-rising unemployment, Mr Séguin called for a "rapid and substantial lowering of interest rates", and for recognition that the plan for a single European currency, is "strangling the whole of Europe".

Georgia rebels in PoW swap

The Georgian government and representatives of the secessionist region of Abkhazia yesterday agreed to exchange prisoners of war and allow refugees to return, writes Frances Williams in Geneva.

A memorandum of understanding reached after two days of United Nations-mediated talks also invited the UN to send an international peace-keeping force to Abkhazia to police the uneasy ceasefire.

Abkhaz rebels seized control of the region last summer after a civil war in which thousands died.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone +49 69 156 850, Fax +49 69 5964481. Telex 416193. Represented by Edward Higgs, Managing Director, Printer: DVM Druck-Vertrieb und Marketing GmbH, Adminal-Rosenstraße 34, 63563 Neu-Isenburg (owned by Hüttinger International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany) Advertising Ltd, London. Shareholder of the above mentioned two companies are: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolly, 168 Rue de Rivoli, F-75004 Paris Cedex 01. Telephone (01) 4297-0621. Fax (01) 4297-0629. Printer: S.A. Nord Éclair, 1521 Rue de Caen, F-93100 St. Ouen. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67898D.

DENMARK
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Madrid confronts unions head on

By Tom Burns in Madrid



The Spanish government is determined to confront the unions and deregulate the labour market despite the threat of a general strike next month and foreign investor nervousness about growing industrial unrest, a senior minister said yesterday.

Mr Pedro Solbes, economy and finance minister, insisted at a conference in Madrid organised by the Financial Times and Expansion newspaper that the strike would have "no impact on what the government intends to do" and that it would "in no way affect the exchange rate".

Unions have called for a 24-hour walkout in the second half of January to force the government to withdraw legislation aimed at loosening fixed employment guidelines and making it easier to sack staff. The government, which argues that Spain's labour market rigidities are directly responsible for its unemployment levels - the highest in the European Union - is to approve the deregulation measures tomorrow.

Mr Solbes said the cabinet would approve a decree law, with immediate effect that would end the government's monopoly on job placements for the unemployed and remove legal impediments to apprenticeship schemes and part-time employment.

The government hopes as many as 900,000 15-25-year-olds will be able to enter the job market under these measures. The jobless figure stands at 3.5m or 23 per cent of the labour force, according to the national statistics office.

The peseta, which has been under heavy selling pressure, remains the weakest currency in the European monetary system's exchange rate mechanism although it held steady yesterday at Ptas2.18 to the D-Mark. It gained slightly against the dollar closing at Ptas149.95.

The government-union showdown in Spain comes at the end of a fruitless three-month attempt to negotiate a "social pact" with unions and employers on wage restraint and labour market reform. The talks were called off officially on Tuesday.

The measures are opposed by the unions who accuse the government of creating "junk jobs". Organised labour is even more hostile to a draft law, also to be unveiled tomorrow, which will alter statutory labour rules on a maximum eight-hour working day and a daily 12-hour minimum rest period, change collective bargaining procedures, streamline job classifications and ease relocations.

Anti-EU sentiment grows in Finland

By Christopher Brown-Humes in Stockholm

For the first time more Finns oppose membership of the European Union than support it, according to a Gallup poll published by the Helsingin Sanomat newspaper. Finland applied for membership in March, 1992.

In Norway a Gallup poll this week put EU support at 21.8 per cent, with 51.6 per cent opposing. The latest Sifo poll in Sweden puts the No vote at

EU report says airlines must cut costs

'Wise men' favour open skies policy

By David Gardner in Brussels

The European airline industry must end the debate over its future and get down to practical cost-savings measures if it is to have any assured future, according to the committee of "wise men" set up by the European Commission to look at the financial crisis in civil aviation.

The committee, headed by former Belgian transport minister Herman De Croo, presented an interim report to EU transport ministers in Brussels on Tuesday, and is due to finalise its recommendations by mid-January.

The meeting widened the rift between a French-led coalition looking to spare their flag carriers the sharper measures of the EU air transport deregulation put in place over the past seven years, and a more or less equal UK-led group of member states seeking to preserve and extend the "open skies" regime and ban state aids to national airlines.

But Mr De Croo told the ministers that "the European airline industry cannot afford

continuing such a largely ideological debate with only sterile results. What we need are practical measures that work and bring about incentives for cost savings."

"The European airline industry can no longer afford selling a product, produced at European cost levels, at world market prices," the report says, rejecting any solution which rolls back liberalisation.

The committee's preliminary findings state that:

- Europe's airlines have long combined above average growth with below average profitability, a phenomenon it describes as "possibly unique".
- On average, the industry has a considerable cost disadvantage compared to its main international competitors, with flag carriers' operating costs at 45 per cent above their US rivals. "A significant part of this gap stems from lower productivity," the report says, pointing out that salary levels do not substantially differ between Europe and the US.
- Airlines in Europe pay higher airport and air traffic control costs, while chronic

congestion adds to overall costs.

● They also pay higher financial costs, because of exchange rate risks, less favourable conditions for tax-lease arrangements, and "the higher efficiency of US capital markets."

However, the report notes that financial difficulties have not hit all sectors of the industry equally. Charter and cargo services have done remarkably well during the recession. Independent carriers increased jobs in 1990-92 by 10 per cent, while employment at flag carriers fell 4 per cent, with more redundancies in prospect. The latter are losing market share in and outside the EU, the report notes.

The options, Mr De Croo said, are "major cost-cutting on all fronts or declare bankruptcy" or to let the taxpayer pick up the bill through state aids. "If we do nothing a combination of all three options will occur."

The interim report does not rule out public funding to aid industry restructuring, but its tone clearly strengthens the liberal camp in EU aviation.



The French recycled paper industry dumped truckloads of waste paper in Paris yesterday in protest at imports, on the eve of recycling talks by European Union environment ministers

Turkish tax net tightened

By John Murray Brown in Istanbul

A programme of tax changes designed to close Turkey's budget gap and offset expected losses from the move to a customs union with the European Union in 1995 were unveiled yesterday by Mrs Tansu Ciller, the prime minister.

The changes, which parliament will have to rush through in the next few weeks to take effect in the 1994 tax year, include a new consumption tax, increases in effective corporation tax, increased tax allowances for the lower paid, and administrative reforms to reduce tax evasion.

"For some people not to pay tax while those on the minimum wage pay their tax automatically every month is a shame, a sin and an injustice," Mrs Ciller said, warning that the names of tax evaders would be exposed. The reforms aim to raise the tax take by 2 per cent of gross national product next year and 3 per cent in 1995.

The parliamentary budget commission is expected to conclude the 1994 budget discussions this week, before taking the draft to the full house for approval.

The budget, which has been

calculated assuming parliamentary backing for the new tax reforms, envisages a deficit of TL192,000bn (£9.3bn), on spending of TL619,000bn.

The reforms reduce the number of exemptions which allow corporations to reduce their tax liabilities. Under the new system, companies will pay corporation tax at a minimum rate of 20 per cent. Tax incentives are to be introduced for companies going public.

The new consumption tax is specifically aimed at offsetting lost revenues resulting from the move to lower import tariffs and the scrapping of the mass housing fund as Turkey implements a customs union with the EU in 1995.

The announcement, which Mrs Ciller made during a nationwide television address, coincides with publication of figures showing gross national product growing by 7.9 per cent in the third quarter. Growth was strongest in the services sector.

After 12 per cent GNP growth in the second quarter, economists are projecting growth for the whole of 1993 at around 8 per cent, which should result in higher than budgeted tax receipts for the government in the current year.

Pomicino admits funding

By Robert Graham in Rome

Mr Paolo Cirino Pomicino, a former Christian Democrat budget minister and one of the party bosses in Naples, yesterday admitted in a Milan court to receiving 15bn (£2m) in illicit funds from the Ferruzzi-Montedison group.

Mr Pomicino, until recently protected by parliamentary immunity, is the first senior minister to have admitted receiving illicit funds. The admission was part of evidence in the trial of Mr Sergio Cusani, a financial consultant close to the Socialist party who is charged with helping the Ferruzzi-Montedison group distribute money to obtain political favours.

According to Mr Pomicino, the funds were handed over in the form of treasury bills. These were then cashed by Mr Franco Ambrosio, the Neapolitan businessman who controls Italgrani, the grain group.

Mr Pomicino said the funds were used for campaigning; but more than 11bn was passed on to Mr Silvio Lima, the powerful Christian Democrat politician who represented Mr Giulio Andreotti, the former premier, in Sicily. Mr Lima was murdered last year in a Mafia assassination and has since been identified as having Mafia links.

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NEWS: WORLD TRADE

Mitterrand and Kohl in Gatt pledge

By Quentin Peel in Bonn

France and Germany yesterday pledged themselves to make "real efforts" to promote a compromise agreement in the Gatt trade negotiations in the coming days, insisting that both the European Union and the US had to make concessions.

President François Mitterrand of France and Germany's Chancellor Helmut Kohl both agreed that compromise was essential, and that no country - meaning France - should be isolated in the negotiations.

Speaking after the latest Franco-German summit meeting in Bonn, Mr Kohl warned that a deal was necessary, not only to guarantee the future of free world trade, but also for the future cohesion of the European Union.

At the same time Mr Edouard Balladur, the French prime minister, repeated his insistence that an initial deal must be done by next Monday, to give him time to present it to the French national assembly. He also warned that any agreement must be unanimously accepted by the 12 members of the European Union: "There is no question of any member state being isolated," he said. "If anything is isolated, it would be the Euro-



Balladur: Insistent

pean Union itself." The words of both Mr Mitterrand and Mr Balladur suggested a willingness on the part of France to make concessions, provided that the US government also gave some ground on the key questions of farm trade, films and television.

"We must keep on making real efforts to reach a compromise that will allow the signing of an international agreement," Mr Mitterrand said at a press conference after the summit. "We are ready to make these efforts, but we are not alone. This must include the US."

Mr Balladur said the Gatt negotiations amounted to the first great test for the European Union, after the Maastricht treaty came into effect. The union had to show it was capable of acting as a single international entity. The French premier, whose own political reputation is most at stake if the Gatt deal is rejected in France, said he needed "eight to 10 days" after agreement on an initial text between European and US negotiators, to present the document both to the French president and the parliament. That would mean a deal by next Monday, to allow French approval by the US Congress deadline of December 15.

Mr Kohl was anxious not to make any statement which could be seen as interference in the heated French domestic political debate, but merely to stress the importance Germany still attaches to a deal.

"It is our common goal to ensure that Gatt reaches a positive conclusion," he said. "For this it is necessary that both sides, on this side and on the other side of the Atlantic, show they are capable of compromise."

"We must use the next hours and days to reach a satisfactory conclusion. We know how important this decision is not only for free world trade, but also for the cohesion of Europe, and for relations between our countries."

That was the nearest he came to any suggestion of moral pressure on the French to accept an unpalatable deal.

A Round sceptic seeking a square deal

Nancy Dunne on a US official negotiating a Gatt package which once he did not believe in

Mr Jeffrey Garten, the new US Commerce Department undersecretary for international trade, will make his debut as a trade negotiator in the Uruguay Round talks in Geneva tomorrow in what he deems "the most inclusive international negotiation ever attempted".

An avowed believer in "an open market-oriented trading system", his brief will be to defend the US anti-dumping and countervailing duty laws, considered by many US trading partners as little more than covert protectionism. He will also oversee the interests of two of the most protected US industries - textiles and steel. One of the Clinton administration's "innovative pragmatists", Mr Garten was taken on to help move the US Commerce Department from the bureaucratic backwaters to the cutting edge of trade and economic policy. No one who knows him doubts that this genial former merchant banker has the mental agility for the job.

Mr Garten argues that the

US trade laws are essential to assure American companies that "there is a degree of fairness in the international trading system, especially since the US market is more open than others". The Round cannot win congressional approval if the trade laws are in any way "diluted" and, besides, the amount of trade effected is "an insignificant portion of imports" - less than 5 per cent.

Mr Garten cut his negotiating teeth on Latin American debt restructuring in the early 1980s. He has also arranged dozens of deals between Asian and American companies as director of Shearson Lehman Brothers' Japan office.

Mr Garten has also written about foreign and economic policy in leading US newspapers and foreign affairs magazines and in a book on past and future relations between the US, Japan and Germany.

At times his views have got him into trouble. It was while he was at Shearson Lehman and the Uruguay Round was being launched that he expressed doubts about the Round in the Wall Street Jour-

nal. This proved to be a public embarrassment to one of the Round's greatest backers, Mr Jim Robinson, then chairman of American Express, which owned Shearson Lehman.

Against all the optimism of the times (the Round was to be completed in 1990 after four years of talks), Mr Garten argued that the negotiations would be too complex, involved upheaval in too many domestic policies and had little to do with US trade problems at the time.

"The big trade issues had to do with currencies," he says. "The dollar was just coming

down. There was talk about de-industrialising the US. The Round would not deal with the issues that were killing us."

All that has now changed, he says, since the Clinton administration has set the course for budget deficit reduction, worker retraining, technology policy and efforts to stimulate investment. Now the Round provides a link between trade and domestic economic and social policies, he says.

Furthermore, a successful Round will bring into the trading system in a more integral way the developing countries, which hold the greatest growth

potential for US companies. "That means the emerging markets have enhanced obligations. They also have to have a fair shot at access to the industrialised country markets."

As for Europe, Mr Garten sees it as a diminishing opportunity for US companies. Writing in Foreign Policy magazine last summer he foresaw the loss of American leverage in negotiations with Europe "as a result of Europe's reduced need for American military protection" and as intra-European trade rises faster than transatlantic commerce.

"There is no chance that Europe will cede its national markets willingly," he adds. "A strong defensive response, characterised by slower-than-usual approach to trade liberalisation and selective but heavy government intervention is more likely."

For all its desirability, with all the momentum going for a deal, Mr Garten does not underestimate the difficulties. "The number of trade-offs among different categories is potentially mind-boggling," he says. "You have so many countries involved... at different stages of development. You are negotiating apples and oranges and pears."

In the end, he insists, the Clinton administration will not take a deal that falls short of its goals. "It would be a mistake to think the administration will sign an agreement simply because it's the Uruguay Round and this has been a central part of economic strategy and we see trade liberalisation as a major part of job creation."

Farmers fear being forced to leave the land

By Frances Williams in Geneva

European farmers' organisations warned yesterday that, unless important changes were made to the proposed Uruguay Round farm deal, a third of Europe's 10m-11m farmers would be forced to leave the land.

The Committee of Agricultural Organisations (Copa) and the General Committee for Agricultural Co-operation (Cogeca), grouping farmers' organisations in all 12 EU member states, said in Geneva that the current draft agreement on farm trade reform would more than double the amount of productive land left fallow, halve farm incomes and cripple the rural economy.

Their complaints were echoed in more strident form by French farmers' groups and the European Farmers Co-ordination, representing small farmers across Europe, who plan a big demonstration in Geneva on Saturday against the proposed reforms.

However, Mr Hans Kjeldsen, president of the International Federation of Agricultural Producers which brings together farming organisations from over 80 countries, said yesterday that a failure of the Uruguay Round this time would be "a disaster for farming worldwide" because of the risk of increased protectionism and trade war.

At the same time, farmers needed reassurance that a Gatt accord would sustain "a more dynamic and sustainable role" for agriculture. "If we want to maintain rural life, we need viable farmers," he added.

Both Mr Kjeldsen and the

representatives of Copa and Cogeca were in Geneva to see Mr Peter Sutherland, Gatt director-general, amid speculation that the meeting in Brussels yesterday and today between Sir Leon Brittan, EU trade commissioner, and Mr Mickey Kantor, his US counterpart, could produce a revised farm accord.

Mr Augusto Bocchini, Copa president, said yesterday that the present draft Uruguay Round farm deal would go well beyond reform of the EU's Common Agricultural Policy and unilaterally penalise European agriculture. It would cut European exports of farm products by about a third, on average, and lead to a considerable increase in imports, while excluding the EU from participating in any expansion of world farm trade. Total compensation payments now envisaged under CAP reform would have to double to maintain present income levels for those farmers still managing to survive, he said.

Echoing demands made by France for changes in last year's US-EU Blair House accord on farm subsidies, Copa and Cogeca are urging a re-ordering of the timetable for cuts in the volume of subsidised exports, so that the impact is felt more evenly over the six-year transition period.

The two organisations also want an indefinite "peace clause" that would prevent the US and others from challenging EU farm policies during the reform process, effective safeguards against price and currency fluctuations and restraints on imports of cereal substitutes.



Six legislators from Japan's opposition Liberal Democratic party continue a sit-in protest outside parliament against rice imports

Japan seeks protection from discriminatory deals

By David Buchan in Paris

Japan yesterday sought multilateral protection from pressures, mainly by the US, to strike bilateral deals on trade and investment discriminating against Tokyo's interests.

A senior Japanese official yesterday asked the Organisation for Economic Co-operation and Development (OECD) to issue a declaration "prohibiting bilateral negotiations by any OECD country" leading to one-sided trade and investment measures.

Mr Noboru Hatakeyama, special adviser to the Ministry of International Trade and Industry (MITI),

complained to an OECD conference on "the globalisation of industry" of recent US pressure to get Japanese electronics companies to buy up to 20 per cent of their semi-conductors from foreign sources, and for Japanese-owned car companies in the US to favour parts from US-owned manufacturers over other sources.

Mr Hatakeyama, a former vice-minister of MITI, said he hoped that a ministerial OECD meeting next year would take a general stance against such discriminatory pressures. He claimed quite wide support from other delegations for his proposal, but acknowledged some like the US

regarded it as "idealistic".

OECD declarations have no binding force on member countries. "But if we keep stressing the importance of prohibiting bilateral negotiations which result in very discriminatory decisions, ultimately this kind of political declaration will get support, and bit by bit many OECD countries, including the US, will abide by it," Mr Hatakeyama said in an interview after the meeting.

The MITI adviser also praised Mexico's new legislation, passed in the wake of US approval of the North American Trade Association (Nafta), to give other countries the same free-

dom to invest in Mexico as the US and Canada will now have through Nafta. But the latter two countries were still practising trade discrimination against Japanese "transplants" in the US, he said.

As part of a new round of US-Japanese talks, begun in July while Mr Hatakeyama was still vice minister of MITI, "the US has recently asked us to issue guidelines to our industry established in the US to purchase parts from 'traditional' - by which they mean American - suppliers, rather than Japanese auto component manufacturers established in the US," he said. Washington, he com-

plained, was even asking Tokyo to favour the import into Japan of car parts from US companies over those which could be supplied by Japanese-owned companies in the US.

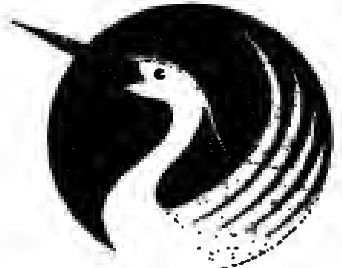
If successful, the Uruguay Round will help remove certain "trade-related investment measures" such as those which require investors to promise to export a certain share of their production, and remove discrimination in the service sector. "But this Gatt round will not deal with discrimination in industrial or agricultural investment," he said. "That is a big hole, which perhaps the OECD can help fill."

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SA Express orders 12 aircraft from Canadian group

By Bernard Simon in Toronto

SA Express, the fledgling South African regional airline, has ordered 12 De Havilland Dash 8 aircraft from Bombardier, the Canadian transport group.

The order, worth US\$150m, (£100.8m) marks both a commercial and political breakthrough for Bombardier in the wake of Ottawa's recent lifting of sanctions against Pretoria.

SA Express is a new airline 51 per cent owned by black South African interests, led by Thebe Investment Corporation, and 49 per cent by Lardel Holdings of Ontario. A group of Canadians, with experience in regional airline operations, will initially form the senior management.

SA Express has an option on an additional six turbo-prop Dash 8s. De Havilland, which is jointly owned by Bombardier and the government of Ontario, has sold a total of 392 Dash 8s, of which 359 have been delivered.

The Sydney Steel plant in north-eastern Nova Scotia has won a new lease on life with the help of China and its overburdened rail system, Robert Gibbons writes from Montreal.

After months of negotiations, MinMetals, a Chinese government trading agency, will help keep the basic steel and rail-

making plant alive for a minimum of three years in partnership with the provincial government. Most of the heat-hardened alloy steel rail being produced will go to China.

Sydney Steel, known as Sysco, was taken over by the province in 1967 after Hawker Siddeley Canada threatened to shut it down because of heavy losses. The provincial and federal governments have since spent more than \$1bn to modernise it and cover operating losses.

In 1990 it was converted into a high-technology rail making operation for nearly C\$300m, (£152.2m) and providing jobs for 700.

Sysco lost C\$275m after a special charge in the year ended March 31, 1993, but expected a small operating profit this year. Basic steel output will be 235,000 tonnes.

MinMetals and the province will each provide C\$15m in operating funds for the next three years.

The province will assume Sysco's debt and pension obligations. If Sysco remains profitable, MinMetals will buy it outright for C\$30m cash at the end of three years and undertake to keep it open, the government said.

The deal is due to be signed by the end of next month.

Gallup in Chinese joint venture

By Patrick Harverson in New York

The Gallup Organisation, the world's largest survey research group, announced yesterday that it had become the first western company to receive a licence to operate a market research company in China.

Until now, commercial market research in China has been conducted from abroad by contracted research or small consultancy companies.

The new operation, Gallup China, is a joint venture between Gallup, which is based in New Jersey, and Carlie Enterprises, a state-owned but US-managed import-export company. With headquarters in Beijing, and planned branch offices or satellites in Shanghai, Guangzhou and 16 other cities, Gallup China will conduct market research surveys on behalf of US, European and Asian clients, including Chinese companies.

The company however, will not conduct any political research, although Mr Richard Buckholder, director of worldwide operations, said it would be a "natural development" to move into political polling.

Gallup China has already won three contracts to conduct surveys in China worth \$100,000.

Gallup expects to invest \$10m-\$20m in its Chinese operation, which is initially licensed to operate for 20 years.

The United Arab Emirates

WORKING FOR A BETTER WORLD

Today, the United Arab Emirates (UAE) commemorates the twenty second anniversary of its establishment as an independent state. Situated on the southern shores of the Arabian Gulf, the country, headed since 1971 by President His Highness Sheikh Zayed bin Sultan Al Nahyan, has passed through a process of rapid development that has seen the creation of a modern society that enjoys both social stability and economic prosperity. At the same time, the UAE has quietly established itself as a state that is playing an increasing role in international efforts to alleviate the human suffering caused by natural disasters and conflict.



H.H. Sheikh Zayed bin Sultan Al Nahyan, President of the UAE

The UAE, is a federation of seven Emirates, Abu Dhabi, Dubai, Sharjah, Ras al Khaimah, Fujairah, Umm al Qaiwain and Ajman, and was created in 1971 at the end of a century and a half of British presence in the Arabian Gulf. Development began just 3 decades ago with the export of the first cargo of crude oil from Abu Dhabi in 1962. In 1968 the total population was still less than 180,000. There were hardly any proper roads. Housing for the majority of the citizens was almost all traditional and often primitive, and both health care and education were in only a rudimentary state. The first modern airport and port had only just been completed.

Now, of course, twenty two years later, the UAE is very different. The government has made good use of the country's vast oil resources - the UAE is one of the world's top oil producers with reserves of over 100 billion barrels. More than three thousand kilometres of roads have been built, in a country whose total area is only 83,600 sq. km. There are now five modern airports, (a sixth comes into operation in 1994), handling millions of passengers a year, and some of the world's most advanced ports, two of which are in the top fifty container ports worldwide. Because of its superb

infrastructure many foreign companies have set up their regional bases in the UAE, which has become a major centre of international commerce.

The population has risen to a 1993 estimate of 2.083 million. The number of children at school has risen from less than 30,000 to over 400,000. There are more than 15,000 students in various forms of higher education abroad and at home, including many in the country's own university, based in the inland city of Al Ain. Adult illiteracy has fallen from over sixty per cent in 1971 to 16.8 per cent today. A total of 150 literacy centres throughout the country provide the UAE's older generation with opportunities for learning not available to them during their youth.

The UAE has become one of the world's most prosperous & harmonious welfare states.

Infant mortality rates have fallen to 11.7 per thousand, and life expectancy has risen to 73 years for women and 70 for men, on a par with those of the industrialised countries of the developed world. Once endemic diseases like malaria and tuberculosis have been virtually eradicated. Health care provides 1 doctor for every 600 inhabitants, with modern hospitals providing access to the latest in medical techniques.

When the UAE was established, there were estimated to be only around 60,000 homes. Many, particularly in the rural areas, were primitive, without access to water, electricity or other services.

There are now close to 400,000 homes, of which well over 50,000 have been built by the UAE government for free distribution to citizens. The main towns are full of fine villas, flats and skyscrapers, many of impressive architectural design. In the social field, women

have been encouraged to play their full role in the development of society outside as well as inside the home. More than 7,000 local women have now graduated from the Emirates University. Today a similar number are undergoing courses, and the UAE now has its first locally-trained women doctors, pilots and engineers. The country's armed forces have their own women's corps, the only such unit to exist anywhere among the Gulf States. The UAE Women's Federation, headed by the wife of the President, Sheikhha Fatma bint Mubarak, has played a key role in encouraging this process, along with active support from President Sheikh Zayed himself, who firmly believes that women have the right to work in all sectors of the economy and public service.

On the edge of the Rub Al Khali desert, the UAE is one of the world's most arid states, with extremely high temperatures and low rainfall making it a place with very few natural opportunities for agriculture. Over the course

120 million trees have been planted in a drive to 'green the desert.'

of the last couple of decades, however, thanks to an extensive programme of encouraging agriculture through the use of desalinated water, over 100,000 hectares have been brought under the plough. A country which once had to import the bulk of its food is now self-sufficient in many vegetables and poultry and exports strawberries and flowers to Europe. Nearly 120 million trees, including 18 million palm trees, have been planted in a drive to 'green the desert,' and the UAE is now among the world's top producers of dates.

Great efforts have been made to preserve the country's environment and wildlife. Captive breeding programmes have been set up to protect endangered animals such as the Arabian oryx and gazelle. Recent studies have shown that the UAE's bird-life, benefiting from the greener environment, is increasing year by year with more than 360 species already recorded. During the course of 1993 a new Federal Environmental Agency was established.

Since 1971 the number of children in schools has risen from 30,000 to over 400,000



President Sheikh Zayed's ambitious programme to green the country has been so successful that Abu Dhabi the UAE's capital, with its many parks and gardens, has earned the accolade of "Garden City of the Gulf".

The UAE welcomes increasing numbers of tourists every year. The country has beautiful, unspoilt beaches, excellent five star hotels and good shopping. There are extensive sports facilities, ranging from golf clubs to ice-skating rinks. Visitors can look forward to a safe stay, as crime is virtually non-existent.



Sharjah - Shopping mall

Preserving the nation's heritage is a priority too. Evidence dating back as much as 7000 years has been uncovered by an extensive programme of archaeological research. For thousands of years the local inhabitants have been trading by sea up the Gulf, to India and as far as China and Vietnam.

The UAE's concern for the protection of its environment and heritage is one sign of the country's maturity. Another is the increasingly significant role that the UAE plays in international affairs. Since the early 1970s, the UAE has been a significant donor of economic assistance, on highly concessional terms, to states elsewhere in the Arab world and far beyond, helping to provide them with the funds they need for their own development programmes. Over 4 billion dollars in project aid has been granted, benefiting over forty states.

There has been aid of a more immediate nature too, in response to crises caused by natural disasters or by the calamities of war and civil conflict. Emergency aid has been provided to India and Pakistan to help these states cope with the aftermath of earthquakes and floods, and to the Muslim people of Bosnia, who have been the victims of barbaric atrocities.

For the first time during 1993, troops of the UAE armed forces donned the 'blue berets' of the United Nations, taking part in the UNOSOM I and in the UNOSOM II missions designed to restore stability and hope to conflict-ridden Somalia.

Despite its oil resources, the UAE is a small state, and has its own development programme to complete. Over the course of

For the first time in 1993, troops of the UAE Armed Forces donned the 'blue berets' of the United Nations.

last twenty two years, under the benign and visionary guidance of President Sheikh Zayed, the UAE is a country where the poverty and under-development of the past is a fading memory.

At the same time, consistent with the basic tenets of Islam, the government and people have always recognised and accepted their responsibility to help other countries and peoples who have not had the same good fortune or advantages.

The UAE's traditional political culture provides for a system of government where the legitimacy of the rulers derives from the support of

the people, and from consultation and consensus. President Sheikh Zayed is in close touch with his people, regularly visiting them in their communities and always eager to listen to their opinions.



Captive breeding programmes have been set up to protect endangered animals such as the Arabian oryx.

The President's 'Open Door' style of government allows all citizens the right of access, to explain their views, encouraging the evolution of an informal, yet remarkably effective form of democratic government.

Confidently, but quietly, the government and people of the UAE have spent the last twenty two years creating a green and beautiful country and a developed society which is noted for its political stability, social harmony and economic progress.

For further information please contact the Ministry of Information and Culture, P.O. Box 17, Abu Dhabi, UAE.

NEWS: THE AMERICAS

Purchasing index points to US growth

By Michael Prowse
in Washington

Reports of rising confidence in the US manufacturing sector and a strong gain in construction spending yesterday provided further evidence of buoyant economic growth in the current quarter.

The Purchasing Managers' Index - a guide to the manufacturing outlook - rose to 55.7 per cent last month against 53.8 in October.

The new orders component of the index soared to 64.8 per cent, one of the strongest results since the Reagan boom of the late 1980s.

This was the third consecutive monthly gain in the overall purchasing index and the strongest reading since the beginning of the year, when factory output was lifted by a surge of demand at the end of 1992.

Figures above 50 per cent indicate that the manufacturing economy is expanding.

Separately, the Commerce Department said that construction spending rose by 2.5 per cent in October and 9.8 per cent compared with the same period last year. This was the sixth consecutive increase in construction spending, the longest string of increases for seven years.

Trade figures yesterday confirmed that the speed-up of growth is causing a deterioration of the US external account. In the third quarter, the merchandise trade deficit rose 5.5 per cent to \$34.4bn (\$23bn), the biggest quarterly deficit for six years.

Officials also announced a slight revision to third-quarter growth figures. Real gross domestic product grew at an annual rate of 2.7 per cent rather than the 2.5 per cent previously reported. Growth of consumer spending and business investment was revised up, but the positive impact on growth was more than offset by upward revisions to the US trade deficit.

"The figures confirm that this quarter will be very strong," said Mr Bruce Steinberg, senior economist at Merrill Lynch, the US financial services group. He predicted growth at an annual rate of "4.5 per cent or perhaps even higher".

Many forecasters, including Mr Steinberg, expect the pace of growth to moderate early next year to an annual rate of 3 per cent or slightly less because consumer spending has outstripped growth of personal incomes, pushing the savings rate to a near record low.

Solution near in LA airport landing fees row



Riordan: promise to police

By George Graham
in Washington

A potential shutdown of Los Angeles airport appeared to have been averted yesterday after representatives of the airport authority and the big airlines neared a deal over higher landing fees.

The airport this summer announced plans to triple its landing fees, and had threatened to shut down operations at midnight on Friday for airlines that refused to pay up.

Both sides were summoned by Mr Federico Peña, the US transportation secretary, for talks in Washington aimed at averting potential disruption at the US's third busiest airport,

which serves around 120,000 passengers a day.

Mr Peña said, on Tuesday night, after 14 hours of talks, that the two sides had reached agreement in principle, and talks resumed yesterday with the aim of finalising the deal.

US airlines pay more than \$3bn (\$2bn) a year in landing fees, and although this makes up only about 4.5 per cent of their costs, some carriers fear that airports across the country could be encouraged by Los Angeles's example to raise their fees.

The airlines, which are already in shaky financial condition after years of rising costs and cut-throat competition, are afraid of being milked

by cities anxious for new revenue sources.

A separate case, in which airlines complained that higher fees at Grand Rapids airport in Michigan violated a federal law requiring them to be reasonable, was argued this week before the US Supreme Court.

Even after tripling its fees, Los Angeles would be a long way from the most expensive airport in the country. The increase to \$1.56 per 1,000lb, or about \$300 for a Boeing 747, would still leave Los Angeles charging far less than the three New York area airports or Chicago's O'Hare.

With the exception of Qantas, all the big US and for-

sign airlines had refused to pay the higher landing fees, and have filed a lawsuit against the increase.

Mr Richard Riordan, Los Angeles's new mayor, promised in his election campaign to raise money from the airport to pay for more police officers, but he has backed away from this, which would be an illegal diversion of funds because Los Angeles received federal grants to help pay for capital improvements at the airport.

Los Angeles serves as an important hub for flights between the US and the Asia-Pacific region, with around 2,000 take-offs and landings a day.



Peña: called talks

Chile may have to cut 1994 budget

By David Pilling in Santiago

CHILE may have to cut its 1994 budget because of the continued sharp impact of the international downturn, according to Mr Juan Villalón, the man widely expected to be named finance minister after general elections on December 11.

Mr Villalón, economic coordinator for presidential front-runner Mr Eduardo Frei, said the next administration would "probably be obliged to revise the 1994 budget which was made when copper prices were higher... and with the expectation of 5 per cent growth".

Chile had planned a 5.4 per cent budget increase

next year to \$11.4bn (\$7.6bn).

Weak prices for Chile's principal exports - copper, cellulose and fishmeal - meant that growth next year would probably be around 4 per cent, he said. The next administration would seek to implement a "slightly different monetary and fiscal mix" by bringing in a temporary tax, possibly on petrol, which would allow an easing of interest rates. Such a combination would encourage investment and slow the appreciation of the peso.

Mr Villalón is likely to pursue broadly similar policies to those of the current finance minister, Mr Alejandro Foxley, a fellow Christian Democrat.

OECD survey warns that prospects depend on US growth Canada set for gradual recovery

By Bernard Simon in Toronto

Canada can look forward to a gradual economic recovery next year, with rising productivity and subdued inflationary pressure, according to the Organisation for Economic Co-operation and Development's annual survey of the Canadian economy.

But the survey warns that prospects depend heavily on the pace of recovery in the US, which is by far Canada's biggest export market, and on success in coming to grips with towering federal and provincial budget deficits.

The OECD forecasts 3.9 per cent real growth in gross

domestic product in 1994, up from 2.7 per cent this year and 0.7 per cent in 1992. The recovery has so far been based mainly on strong export growth. This is forecast to continue in the year ahead, but should be accompanied by substantially higher household spending and business investment and a strong housing market rebound.

Inflation, measured by the GDP price deflator, is projected at a modest 1.8 per cent in 1994, compared with 0.8 per cent this year. However, the unemployment rate will drop only marginally to 10.9 per cent from 11.2 per cent.

The OECD cautions that

"heavy government borrowing has left the economy vulnerable to changes in financial market sentiment, leading to increased short-term interest rate volatility and higher long-term credit costs". It adds that continuing fiscal discipline in the public sector "appears crucial to the maintenance of easier monetary conditions and the achievement of lower long-term rates".

A feature of Canada's recent performance has been a surge in productivity, with businesses adjusting remarkably quickly to such structural changes as the 1989 free trade agreement with the US, privatisation and tax reform. "The

better domestic cost performance along with exchange-rate depreciation has significantly improved international competitiveness," the OECD concludes.

But the report says that the prospects for long-term growth would be enhanced by further reforms, including the dismantling of inter-provincial trade barriers, lower farm subsidies, and improved education and healthcare systems.

Canada's generous social-security net is also singled out as a source of concern. The new Liberal government has indicated in recent weeks that it plans to overhaul the entire social security system.

Argentine judges urged to resign

By John Barham in Buenos Aires

POLITICAL pressure on Argentina's Supreme Court to resign intensified yesterday following Mr Antonio Boggiano's resignation on Tuesday as court president.

Mr Boggiano quit after five of his colleagues said they no longer recognised his authority, following accusations by two fellow justices in September that he had tried to replace a court ruling against the central bank with a favourable one. However, he will remain a member of the nine-member court.

The ruling Peronist and opposition Radical parties are demanding that at least three court justices resign immediately.

A purge of the Supreme Court is one of the Radicals' conditions for supporting reform of the constitution, which is needed to allow President Carlos Menem to stand for re-election when his six-year term ends in 1995.

Mr Eduardo Duhalde, the influential Peronist governor of Buenos Aires province, said yesterday that their resignations "are overdue, there is no longer any space for

anything else".

Last week, three cabinet ministers demanded resignations in the court. Mr Domingo Cavallo, economy minister, said all nine should be impeached by Congress. He has publicly accused two justices of corruption.

Supreme Court justices are appointed for life to insulate them from political interference. But their reputation has been severely damaged by repeated allegations of corruption, incompetence and submission to the government.

Nonetheless, there is widespread

belief that a purge could further undermine the rule of law.

The Radicals argue that the Supreme Court lost its independence when Mr Menem appointed five pro-government justices shortly after he took office in July 1989.

Mr Raúl Alfonsín, the Radicals' leader, demands that the government force the resignation of at least three of the court justices as a gesture of good faith before Friday's Radical party conference, which is to ratify talks with the government.

Falkland Island oil hopes

By Stephen Fidler,
Latin America Editor

Britain's Foreign Office yesterday played down the significance of a survey suggesting a good chance of finding oil in the South Atlantic around the Falkland Islands.

Mr Phil Richards of the British Geological Survey, which carried out a seismic survey around the islands this year, said yesterday: "The potential is good all around the islands. But we will not know exactly how much oil is there until someone starts digging."

The zone around the islands with the type of geological formation most likely to contain oil was 50 per cent larger than the British section of the North Sea, the survey said.

But the Foreign Office said any new information could only be preliminary, since full seismic data would only become available next year. It further emphasised that seismic studies in themselves could not ensure the presence of oil.

A round of exploratory drilling and more seismic tests were planned. Only after drilling could the presence of oil be guaranteed.

Even then, it would be uncertain whether oil was available in commercial quantities, particularly given the difficult conditions in the waters around the islands, whose sovereignty is disputed between Britain and Argentina.

Mr Douglas Hurd, UK foreign secretary, said this year that co-operation on oil exploration with Argentina remained a possibility. Oil company executives have said large-scale investment of oil development in the region would require a more explicit agreement on sovereignty than exists at present.

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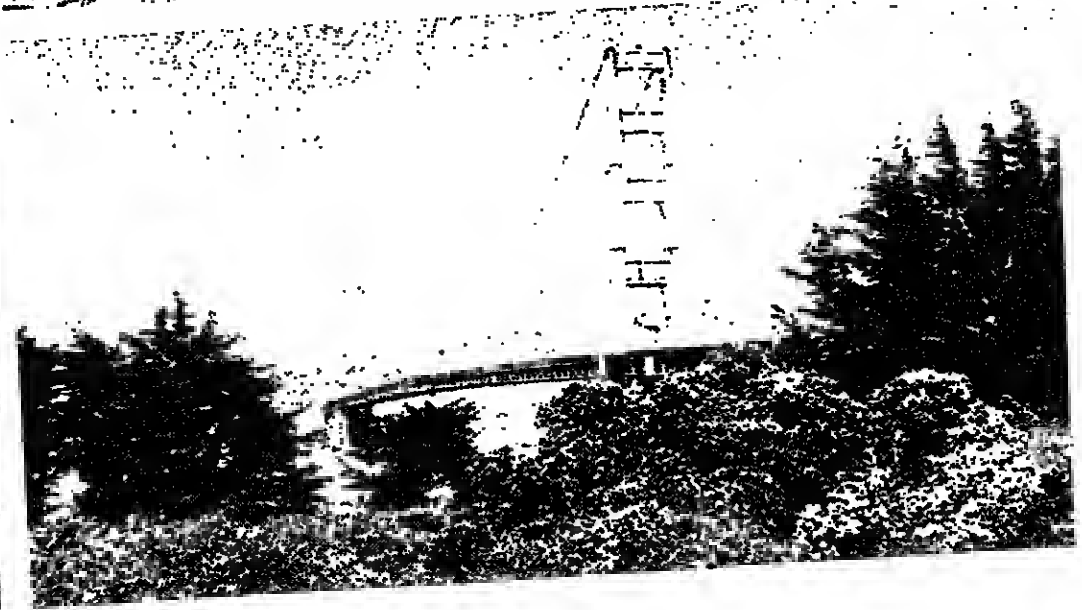
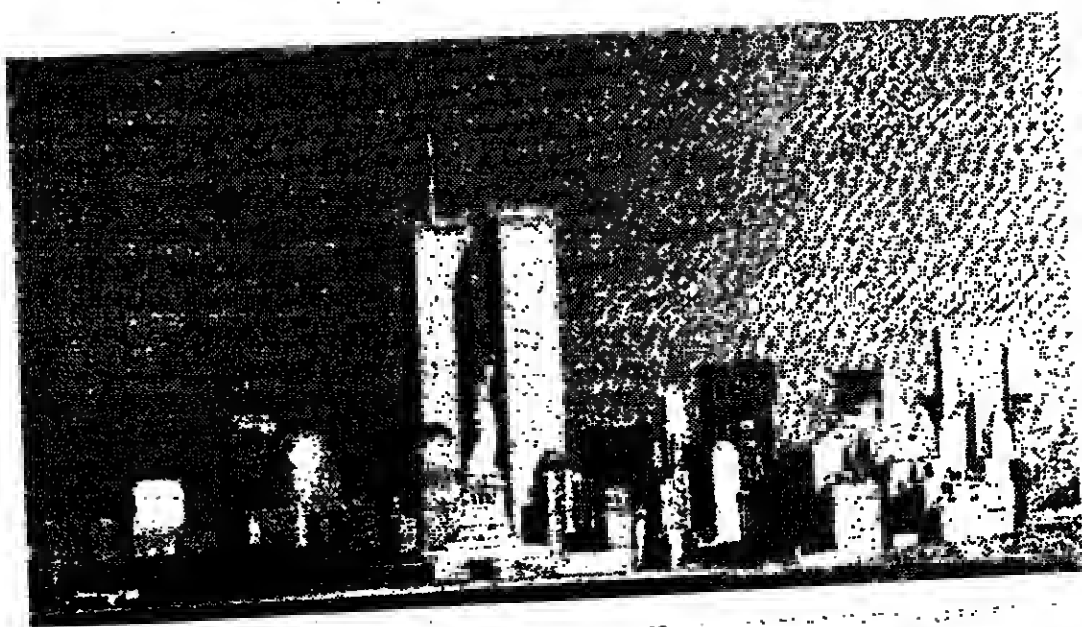
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NEWS: INTERNATIONAL

Mixed signals from China on Hong Kong

By Simon Holberton
in Hong Kong and
Alexander Nicoll in London

China is issuing conflicting signals over Hong Kong even though failure to reach agreement in Sino-British talks is expected today to lead Mr Chris Patten, the colony's governor, to announce he is pressing ahead with the first stage of his proposals for broader democracy.

Mr Patten is expected to tell legislators that he will introduce a bill dealing with "straightforward" issues concerning Hong Kong's elections next year and in 1995, leaving the most contentious aspects open for further discussion with Beijing if talks should continue.

Although Chinese officials have warned against this step, there has been a softening in their rhetoric by comparison with other difficult periods in relations over Hong Kong. The threat that no more talks would take place if Mr Patten proceeds has so far been absent from their comments.

Meeting businessmen from Hong Kong, Mr Lu Ping, director of Beijing's Hong Kong and

Macao Affairs Office, made no reference to talks ending if Mr Patten put his bill to Hong Kong's Legislative Council.

However, it also emerged yesterday that Britain's confidence that China would honour the 1984 Joint Declaration on Hong Kong was shaken in the latest round of talks in Beijing at the weekend.

It was understood that Beijing told British negotiators China would reintroduce appointments to Hong Kong's local government if Mr Patten abolishes this system and has all seats elected.

According to the Hong Kong Economic Journal, a leading business paper, Mr Christopher Hum, head of the UK team, pointed out this went against the Joint Declaration and the Basic Law which vest such power in the Hong Kong government that succeeds Mr Patten's administration.

The Chinese remark was seen as potentially undermining the Joint Declaration's statement that after sovereignty reverts from Britain to China in 1997, Hong Kong will enjoy a "high degree of autonomy" with "Hong Kong people ruling Hong Kong".

Despite the apparent breakdown of the talks, British officials point out that China has agreed to attend a meeting in London next week of the Joint Liaison Group, the body charged with working out details of the 1997 transfer.

Beijing has not yet responded to London's request for a further round of talks on political development, the officials said.

Mr Tsang Yok Sing, a pro-British Hong Kong politician, said in a radio interview from the Chinese capital that talks could proceed as long as Legco took no final decisions.

Mr Zhou Nan, Beijing's top official in Hong Kong, assured Hong Kong political figures visiting Kunming that China would do its best to preserve Hong Kong's prosperity and stability even if Britain acted unilaterally on the political front.

Lord Howe, the former UK foreign secretary who negotiated the Joint Declaration, said yesterday that it was overridingly important for Britain and China to renew their commitment to a common course leading to agreement over Hong Kong.

Japan paying prices of recession

William Dawkins on the gloom in Tokyo's consumer electronics shops

The lights are going dim in Akihabara, the neon-festooned electronics district of Tokyo, consumer testbed for world-beating gizmos like the Walkman and the compact disc player.

Akihabara, where the Japanese splash out 5 per cent of their ¥6,000m (\$38bn) a year spending on consumer electronics, is a sensitive indicator of consumer sentiment. In some places, the recession has hit so hard that the lights have gone out.

One is Hirose Musen, one of the four small chains to have closed there in the past four months. A picket line of former employees shivered outside one of Hirose Musen's shuttered shops last week, with their backs to a lifeless neon sign, politely requesting their jobs back.

A stroll through some of the other 500 stores in the area makes it easy to see why Hirose Musen's owners closed their three Akihabara shops. Noodle bars tucked under railway arches nearby appear to be attracting more custom than the gaudy arcades of Akihabara's main outlets. Many report that sales this year are down at least 10 per cent and some, like Nakamura, are so desperate they have sent out salesmen to make house-to-house calls.

Prices are at the bottom. In good times, Akihabara sales tickets show two figures: the manufacturer's price, which has a line through it, plus the sale price, the point from which one is expected to open bargaining.

These discounts were not as generous as they looked, since they were strictly controlled by suppliers. But last week, sale prices too were scored through with thick black lines. Discounts on a given brand name varied between shops, indicating that suppliers' grip on margins has weakened. Discounts include 40 per cent off miniature televisions at ¥11,800 and 25 per cent off digital audio tape machines, down to



Akihabara shopkeeper almost hidden behind an array of electronic consumer goods

¥55,800.

The range of gadgets is as dazzling as ever, as suppliers and shops try in vain to revive consumers' jaded tastes. But general consumer spending in the year to the end of September was down 0.4 per cent, compared with a rise of 2.8 per cent in the same month last year, according to the Economic Planning Agency.

The problem is that people are earning less as their companies slash costs, and are at the same time saving more to rebuild wealth eroded by the fall in land prices. Real incomes only rose by 1.2 per cent in the year to September, while savings as a proportion of disposable income rose to 18.2 per cent last year, from

17.9 per cent in 1991, says the EPA.

On top of this, Akihabara has its own problems. What remains of diminished demand is shifting away from traditional consumer electronics, white goods and components - and stabilising or growing slightly in computer games, computers, compact discs and tapes.

Even worse, Akihabara has lost its already questionable reputation for the lowest prices, thanks to the arrival of aggressive discount stores in suburbs such as Shinjuku and Ikebukuro. They are winning market share. Discount stores generally are expecting double-digit sales growth this year, according to a survey by

the Nihon Keizai Shimbun newspaper.

Akihabara's stores have responded in varying ways. One of the larger ones, Shin-toku, threw out its old stock and filled one of its four shops with Sega computer games last November. It turned another into a CD and video cassette store, called Shintoku Soft Terminal. The strategy was not enough to erode Shintoku's mounting debts and the store filed for bankruptcy last month with liabilities of ¥6,900m. Akihabara's biggest collapse.

Laos, the biggest store, has been more successful. It had expanded out of Akihabara before the recession hit and has become rich enough to use the downturn to expand mar-

ket share, by taking over one of its struggling neighbours.

Laos has also led an Akihabara trend, to devote more space to selling computers, from which the district now derives about 30 per cent of sales and to concentrate more on supplying a service than giving discounts. As part of the same trend, a shop closed by Asia Misen, another recent Akihabara casualty, was taken over by Sofmap, a retailer of used personal computers.

This is, however, a risky strategy. The profit margin on computers is even smaller than that on consumer goods, points out Mr Harrison Bates, retail analyst at James Capel Pacific. Akihabara is heading for a tough Christmas.

Donors' generosity overwhelms Uganda

When the World Bank and other donors abruptly cancelled their support for Uganda's National Aids Secretariat, the shock waves went through the entire edifice of donor-funded projects that prop up Uganda's economy.

The secretariat had appealed in November for \$450m to fund a "multisectoral" plan to combat the disease. It proved to be the last straw for donors already exasperated by the failings of the secretariat. "We are interested in fighting Aids, not funding an Aids bureaucracy," one of the donors present at the meeting explained.

The secretariat's staff had not been up to the job, causing donors to question whether they had been too ambitious for one of their model pupils in Africa.

Uganda has been smothered with aid since President Yoweri Museveni's government adopted a World Bank-approved programme of economic reforms six years ago. The international community, delighted with Mr Museveni's enlightened, if unelected, leadership, pledged more than \$825m in aid this year, an amount equivalent to a quarter of Uganda's gross domestic product.

Foreign aid finances 60 per cent of government spending. Even the luggage trolleys at Entebbe airport say "donated

By Leslie
Crawford,
recently in
Kampala

Kampala. "My main concern is that it discourages Ugandans from developing the exports that would reduce their dependence on aid."

The inflow of dollars has led to an appreciation of the Ugandan shilling, which is now overvalued. This has undermined donor-funded efforts at export promotion and diversification. As the trade deficit widens, Uganda has become more dependent on donors for balance of payments support.

Aid money is also feeding an industry of consultants. Virtually every government ministry has a clutch of expatriate "advisers". Their standard pay is \$10,000 a month, or about 100 times the salary of a senior Ugandan civil servant.

One official said he knew of an international firm of chartered accountants who charged \$200,000 for a report on accounting information systems for the public sector. "It was copied straight out of a first-year accountancy textbook," he said. Its recommendations were not implemented.

Although most aid is being put to good use - building roads, repairing hydroelectric dams, providing essential drugs - its abundance is breeding corruption.

Diplomats in Kampala speak openly and disparagingly about government ministers who are on the take.

S Korean industry leader arrested for fund diversion

By John Burton in Seoul

The South Korean government denied yesterday the arrest of the head of Hanhwa, the country's ninth largest business group, signalled a crackdown on leading conglomerates, or *chaebol*.

Mr Kim Seung-youn, Hanhwa chairman, is the nation's first incumbent *chaebol* leader to be prosecuted. He is charged with illegally diverting funds to buy property in the US in violation of foreign exchange laws.

He is the third prominent businessman to be prosecuted since the reformist President Kim Young-sam was inaugurated in February.

Mr Chung Jin-yung, the founder of Hyundai, was recently convicted of illegally diverting corporate funds for his failed presidential campaign against President Kim last year.

Mr Park Tae-joon, founder of Pohang Iron and Steel, the world's third largest steelmaker, fled to Japan in March after he was charged with illegally using corporate funds to support Mr Kim's conservative political opponents.

Hanhwa's Mr Kim also has close ties with the president's opponents within the ruling Democratic Liberal party.

Critics have accused the president of engaging in a political vendetta against his foes by ordering investigations of the business leaders.

President Kim has criticised the *chaebol* for benefiting from links with the country's former military dictatorship and proposed measures to reduce their dominant position in the Korean economy. The Hanhwa chairman's arrest surprised observers since the president has recently adopted a more conciliatory approach toward the *chaebol*.

Japanese sales of vehicles fall further in November

By Michio Nakamoto in Tokyo

The severity of the downturn in Japan's vehicle market was underlined yesterday by figures showing that new vehicle sales in November fell 7.7 per cent, the eighth consecutive monthly decline.

According to the Japan Automobile Dealers Association, passenger cars suffered a 7 per cent decline in spite of the introduction by several makers of new models in the autumn. Truck sales were down nearly 9 per cent, reflecting the overall weakness in economic activity.

Mr Futoh Fujii, vice president of Nissan, noted in an interview last week that the Japanese car industry could face a "double dip recession".

Such concerns were supported by the weakness of demand in November, which is the peak year-end sales period

as it comes before consumers receive their bonuses in December.

Falling a November pick-up, car makers will probably have to wait until the spring for the next opportunity for demand to gather pace, a Honda official said.

The downturn in the domestic market has come as exports have also been forced lower, largely as a result of the yen's strength and sluggish demand particularly in the European Union.

Japanese manufacturers have had to scale back production plans significantly in order to adjust inventories. Mazda had a two-day closure last month, and Nissan will follow suit this month.

Honda plans to halt production for four days between this month and next April and to reduce output by about 10,000 units.

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Conservation Society

Left-wing Labour led in New Z.

By Tony...

Malaysia seeks Keating apology

By Kieren Cooke
in Kuala Lumpur

A row over remarks by Mr Paul Keating, Australia's prime minister, about his Malaysian counterpart, Dr Mahathir Mohamad, shows signs of worsening. Mr Keating had called Dr Mahathir recalcitrant for not attending last month's Asia Pacific Economic Co-operation summit in Seattle.

Yesterday, Mr Ahmad Badawi, Malaysia's foreign minister, said Australia's high commissioner in Kuala Lumpur had been called to the Foreign Ministry and a protest had been made. A similar protest was lodged at Mr Keating's office by the Malaysian High Commission in Canberra.

While Dr Mahathir seemed at first to play down the issue, his ministers have been increasing their attacks on Mr Keating and have demanded a public apology. Mr Samy Vellu, energy and telecommunications minister, said yesterday that he had directed departments under his ministry to review business ties with Australia.

Australian businessmen and investors in Malaysia are concerned about the consequences of a prolonged row. Malaysia has become one of their most important overseas markets. Trade between the two countries was worth M\$4.5bn (US\$1.76bn) last year, with the balance well in Australia's favour.

Australia also earns substantial amounts from an estimated 8,000 Malaysian students in the country, and Malaysians are among the leading buyers of Australian property.

Mr Mohamad Rachmat, Malaysia's information minister, has already announced a ban on Australian television programmes and advertising material. The state-controlled broadcasting service would also broadcast only negative views about Australia.

Dr Mahathir did not attend the Seattle meeting because he said Apac was in danger of becoming dominated by the US and being turned into a structured trading group like the European Union.

At the summit, Mr Keating, clearly exasperated at frequent questions by Australian journalists about Dr Mahathir, said he did not care about the Malaysian prime minister's position.

"I am sick of questions about Dr Mahathir... Apac is bigger than all of us... Australia, the US, Malaysia, Dr Mahathir and other recalcitrants."

In a subsequent television interview he hinted that demands for an apology by Malaysia were based on feigned indignation and suggested that Kuala Lumpur owed multiple apologies to Australia for various unspecified slights.

Left-winger takes Labour leadership in New Zealand

By Terry Hall
in Wellington

Ms Helen Clark, a former university lecturer who was elected yesterday as leader of New Zealand's opposition Labour party, has indicated that she wants to turn Labour back to its socialist roots, and has spoken of the need to raise taxes to help the underprivileged.

A left-wing group, led by activist women party workers, achieved their aim of seeing Ms Clark elected. The caucus vote, by 26 to 19, ended a grueling and bitter battle to oust Mr Mike Moore, who argued that Labour should be a centrist party, with appeal to all sections of the community.

Mr Moore, who was consistently rated among New Zealand's most popular politicians, argued that those who plotted against him overlooked his role in holding the party together after its devastating 1990 loss, leading to its near win in the general election three weeks ago.

In an apparent effort to retain the backing of Moore supporters, many of whom back the shift to the right of recent years, the party caucus voted to appoint Mr David Caygill as deputy leader. Mr Caygill is on the right of the party and as finance minister in 1988 and 1989 after the sacking of reformist Sir Roger Douglas continued to promote non-market economic solutions.

The appointment of Mr Caygill is seen as a further blow to

Israeli army reinforces West Bank

By David Horowitz
in Jerusalem

The Israeli army rushed troop reinforcements to the West Bank yesterday after Palestinian gunmen shot dead an Israeli woman on the main street of the town of al-Birah.

Hamas, the Islamic fundamentalist movement which opposes the autonomy deal between Israel and the Palestine Liberation Organisation due to take effect in the territories on December 13, took responsibility for the murder, and vowed to continue attacking Israelis in revenge for the recent killings of some of its leaders by Israeli troops.

Speaking in Brussels Mr Yitzhak Rabin, Israel's prime minister, noted: "Every incident like this... damages the belief of many in Israel that peace is possible." Nonetheless, Mr Rabin, who continues his European visits with a trip to London today, said he intended "simultaneously to fight terror and to move forward in implementing" the autonomy accord.

Yesterday's shooting took

place when the car carrying a Jerusalem kindergarten teacher to her school in the West Bank's Belt El settlement broke down on the outskirts of nearby al-Birah. Gunmen opened fire on the vehicle with automatic weapons.

In protest, Jewish settlers briefly blocked a main West Bank road leading to Jerusalem, and have vowed to block all thoroughfares in the territories for several hours today, paralysing Palestinian movement.

At a meeting with Israeli army officers, settler leaders accused the military of failing to protect them. They have already announced plans to set up their own security force to guard settlements once the autonomy period begins, and yesterday they unveiled a programme to try to establish dozens of new settlements, in defiance of government policy, in order to frustrate Palestinian efforts to create an independent state in the occupied territories.

The Gaza Strip, where clashes on Tuesday left one Palestinian dead and more



An Israeli soldier looks into a shot-up car in which a civilian died yesterday

than 60 injured, was calmer: the army suspended its hunt for "wanted" Palestinian militants, and declared the area a "closed military zone" to keep journalists away. Renter adds from Brussels: Mr Rabin yesterday met Mr Jean-Luc Dehaene, Belgian prime minister, and won early European Community support to

upgrade a 1975 co-operation agreement with the 12-member bloc. Mr Rabin said Israel was interested in updating its relationship with the EC in a bid to advance Israeli industry and agriculture.

"We hope the Council of Ministers of the Community will approve the mandate soon to start formal negotiations about

the updating of the 1975 agreement with the EC," he said after meeting Mr Dehaene, whose country holds the rotating EC presidency.

Mr Dehaene said he had underlined the importance of sustaining the peace process in the Middle East as well as revising the association agreement with Israel.

ADB changes loan strategy

By Jose Galang in Manila

The Asian Development Bank will link future lending to policy liberalisation that will make the economies of borrowing countries more open. Mr Mitsuo Sato, the new bank president, said yesterday.

Mr Sato, who took over from Mr Kimimasa Tanimura, who retired on November 24, told a press conference that during his term the ADB would encourage more of its member countries to "shift to greater democratisation, to market-oriented economy, and to greater openness [of their economies] to the outside world".

The Manila-based ADB counts among its members the high-growth "tiger economies" of east Asia, most of which, however, have been identified with authoritarian governments or protective economic policies.

Before his election to the ADB top position, Mr Sato was deputy president of the Tokyo Stock Exchange. He is credited with opening up membership of the exchange to foreign groups. He had served previously in Japan's Finance Ministry.

Mr Sato stressed, however, that the new strategy would be

manifested in "policy dialogues" with borrowing member countries. It would not be a strict condition similar to those imposed by the World Bank and International Monetary Fund in their own lending criteria. He said those policy discussions would focus solely on economic matters and "not in general terms."

While opposition lingers over a capital increase for the ADB, Mr Sato said yesterday he was confident the bank's lending programme for the coming year would not decline as had been feared by some groups.

"We have agreed on the need to raise capital," he said, although certain "policy questions" remained to be sorted out.

"There is a clear consensus among board members that an agreement will be reached by the end of the year."

In the first nine months of the year, ADB lending totalled nearly \$2.6bn (£1.7bn), an increase of 11 per cent from the year before. Equity investments amounted to \$16.4m, up 3 per cent. In the whole of 1992, total lendings reached \$6.1bn, up 6.9 per cent from the previous year, while equity investments and underwriting came to \$15.6m, down 44 per cent.

Setback for Hindu party

By Stefan Wagstyl
in New Delhi

The Bharatiya Janata party, India's Hindu militant opposition party, whose supporters last year stormed the Ayodhya mosque, yesterday looked set for its third defeat in six state elections held last month.

With counting virtually complete, the BJP seemed set to lose control of the central state of Madhya Pradesh to the ruling Congress (I) party.

The BJP has previously conceded defeat to Congress in the northern state of Himachal Pradesh. In Uttar Pradesh it faces defeat at the hands of a coalition led by the Samajwadi party and the Bhagan Samaj party, a populist alliance. The BJP is likely to retain control of Rajasthan and has won a clear victory in the city of Delhi. Counting in the small state of Mizoram in the north-east has yet to start.

The results are a serious setback for the BJP, which had hoped the Ayodhya mosque's destruction last December would help the cause of Hindu nationalism. Instead voters have deserted the party, partly in protest at the violence and unrest which the sacking of the mosque provoked and partly because of the administrative performance of BJP state governments.

See Indian elections feature

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NEWS: UK

UK and Ireland agree summit date

By David Owen
and Tim Coono

The British government's credibility on Northern Ireland was severely tarnished last night when it admitted that mistakes were contained in secret documents released on Monday detailing exchanges with Republican leaders.

The admission followed confirmation that Mr John Major and Mr Albert Reynolds will tomorrow make a concerted attempt to bridge differences between London and Dublin over a constitutional settlement for the province. The meeting will come amid signs of mounting strain in their relations.

Meanwhile the Northern Ireland Office was at pains to emphasise that the mistakes were the result of transcriptional typing. But the admission, which is expected to be pounced on by Unionist MPs in the Commons today, followed threats by Sinn Féin to "set the record straight" amid claims that some of the British documents were bogus.

The statement came as the IRA claimed the government proposed holding secret talks in March in Scotland or Scandinavia.

It said: "We wish to confirm that... the British Government made a definitive pro-

posal for full-blown delegate meetings between their representatives and Sinn Féin."

It claimed the government asked for an unannounced suspension of activity to help accommodate the meetings.

But Downing Street denounced as "complete rubbish" the claim that Britain sought talks in Scotland or Scandinavia.

"This is yet another attempt by the IRA to divert attention from our challenge to them to declare a total cessation of violence," a spokeswoman said.

Both London and Dublin were last night playing down expectations of what the "working" summit between the two prime ministers was likely to achieve, billing it as the first of two or three important sessions that could take place before Christmas.

At least one additional meeting between the two leaders - at next week's European Council in Brussels - might well be needed before a joint communiqué could be agreed. The two prime ministers would be accompanied tomorrow by other senior ministers.

The main sticking point is understood to be Dublin's insistence on including acceptance of the principle of self-determination for all people of Ireland in any communiqué.

According to officials in Dub-



An Irish tricolour flies in the distance in the nationalist Springhill area of West Belfast yesterday as British troops patrol not far from the home of the Sinn Féin president Gerry Adams

lin, this would imply an all-Ireland referendum on changes to Northern Ireland's constitutional status, although these would need to have consent of a majority in the province.

Downing Street hinted last night that it regarded Ulster Unionist acceptance of the content of any joint communiqué

as crucial, saying: "It is getting words that can command support throughout Northern Ireland - that's a key factor."

While admitting that "great difficulties" remained, Mr Dick Spring, the Irish foreign minister, yesterday held out the hope that agreement was possible before the end of the year.

In a separate move, Downing Street denied coming under pressure from Washington to secure a Northern Ireland agreement during a phone conversation last week between Mr Major and Mr Bill Clinton. The US president said he would be "watching and cheering from the sidelines," it said.

Britain in brief



New order for over 200 army tanks

The government bowed to political and military pressure by again raising its ceiling for future army manpower and announced plans to buy up to 238 Challenger 2 tanks.

Britain is also to purchase new helicopters for the RAF, including the Anglo-Italian EH101 in which Westland is a partner, and tenders are being invited for up to seven new minihelicopters.

Mr Malcolm Rifkind, secretary of state for defence, said that front-line units would be strengthened by a further 3,000 troops. His statement was aimed at fending off criticism that financial cuts will damage the forces' fighting capability. A contract for Challenger 2 tanks is to be negotiated with Vickers in preference to earlier plans for updating existing Challenger 1s. About £800m is thought to be budgeted for the order, expected to be concluded next year.

Mr Rifkind also announced that contracts would be negotiated to provide the RAF with a mixed support helicopter fleet of EH101s and Boeing Chinooks. Tenders for additional Sandown class minihelicopters, also announced yesterday, will be restricted to UK yards, including Vespene Thorncroft which built the first five of the class.

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M&S signs power deal

Marks & Spencer has signed a contract with Northern Electric for the supply of electricity to 160 stores around the country. The deal, worth over £10m a year, is one of the first of a new generation of contracts intended to take advantage of the next step in the deregulation of the electricity market next year. The deal covers approximately half of M&S stores.

Chalker to visit South Africa

Overseas aid minister Baroness Chalker is to meet visit President F W de Klerk, Inkatha Freedom party leader Chief Buthe and members of Nelson Mandela's African National Congress when she visits South Africa, Mozambique and Botswana next week.

Arms for Iraq warning missed

A senior government official failed to read intelligence warnings that British-built machine tools were being used to make Iraqi missiles because he was too busy, the Scott inquiry heard.

Tony Steadman, who headed the Department of Trade and Industry export licensing branch from 1987 to 1991, also admitted "circumventing" Whitehall procedures designed to stop equipment reaching Saddam Hussein's weapons factories because they were "too cumbersome".

Phone numbers liberalised

British Telecommunications will lose control of the allocation of phone numbers early next year, under plans announced by Ofcom, the industry regulator.

A Numbering Administration Unit, under Ofcom's charge, will start work in January, taking over responsibility for allocating blocks of numbers and "nationally significant codes." Mr Don Cruickshank, Ofcom director general, said: "Numbering is an essential element in the development of a competitive market in new telephony services in the UK."

Meanwhile a small Cheshire-based company has launched what it claims is the first national service offering personal telephone numbers.

Flextel, which holds a government telecoms licence, is offering subscribers personal numbers which they can route at will, for a fee of £24 per number per year. A service is already on offer in the US and at least one private company, Numbering Viewed Worldwide, is developing a service for the UK.

ICI wins award for innovation

ICI won the Royal Academy of Engineering MacRobert Award, the UK's premier prize for innovation in engineering, for developing a new refrigerant to replace ozone-depleting CFCs (chlorofluorocarbons). The £50,000 award, which attracted more than 50 entrants, was presented at the Science Museum in London by the Duke of Edinburgh.

Joint venture in switchgear

One hundred new jobs will be created in Wolverhampton following the decision of MK Electric of London, and Merlin Gerin, a French-owned company in Telford, to form Ajax Electrical, a joint venture for the investment of £5.6m in a new electrical switchgear factory.

The investment has been sweetened by £650,000 of regional selective assistance from the department of trade and industry. Wolverhampton City Challenge provided £100,000 to refurbish an existing factory of Federal Electric, a Merlin subsidiary, next door to the proposed Ajax plant.

UK promotion funds increased

The government has increased funding for the promotion of the UK abroad and reduced proposed cuts in the budget of the English Tourist Board.

Mr Peter Brooke, national heritage secretary, said that the increased funding was in recognition of the importance of the tourist industry to the UK economy and the success of the British Tourist Authority in attracting record numbers of overseas visitors.

Government funding of the ETA is to rise from £32m in 1993-4 to £34m by 1995-6. This is £500,000 higher than government projections published a year ago.

The English Tourist Board, which encourages UK residents to take holidays at home and aims to improve facilities, is to see its funding fall from £13.9m in 1993-4 to £10m by 1995-6. The 1995-6 figure is £1m higher than previous government plans.

Lloyd's sets offer to Names

By Richard Lapper

Lloyd's of London yesterday put the final touches to a settlement offer for loss-making Names, expected to amount to about £300m.

The offer, detailed in a 200-page document, will be sent to over 21,000 Names - the individuals whose assets support underwriting at Lloyd's, about 2,000 of whom live in the US - and made public next week.

The Names, who are claiming £3.5bn in compensation from their agents, will be offered varying amounts of compensation depending on their syndicates and their chances of legal success.

It is understood that up to two-thirds of the amount of compensation - or between £500m and £600m - could be

channelled to about 5,000-6,000 Names who were members of Feltrim and Gooda Walker syndicates, allowing for settlement of their claims of about 50p in the pound.

Names on some other loss-making syndicates, who are thought to have a slim chance of winning compensation through the courts, will be offered smaller amounts.

Compensation will also reflect a series of other factors. Names involved in legal action are expected to be offered greater sums, especially if their cases have been given court dates. The worst hit Names, who were members of heavy loss-making syndicates, should also receive above average compensation.

Finance for the settlement will come from three main

sources. Errors and omissions insurers, which cover agents against legal awards for negligence, are expected to pay up to £400m, while Lloyd's is expected to make a contribution of at least £400m from its central fund, which pays claims when Names are unable to meet their obligations.

● A senior figure at Lloyd's yesterday cast doubt on continuing the insurance market's 300-year-old tradition of unlimited liability for Names.

It follows the successful admission of investment trusts and companies backed by corporate investors in the past few months. Mr Robert Hiscox, deputy chairman of the market, said Lloyd's should next year "stand back and consider" whether it should allow new unlimited liability Names.

UK will oppose EU-wide fuel tax

By Bronwen Maddox, Environment Correspondent

The UK will reaffirm its opposition to a co-ordinated Europe-wide tax on fuel at the two-day EU environment ministers' meeting beginning today in Brussels. The steady annual increases in fuel duties announced in Tuesday's budget emphasise the UK's determination to go its own way in setting taxes, said Mr Tim Yeo, environment minister.

Proposals for a coordinated energy tax, weighted towards fuels with the highest carbon content, have been at the heart of the EU's plans for meeting its commitments under the Rio convention. The EU pledged to bring carbon dioxide emissions, implicated in global warming, back to 1990 levels in the year 2000.

However, for the EU to ratify the convention, its member countries need to agree a plan for cutting carbon emissions.

"It is inconceivable that the Treasury will change its mind," Mr Yeo said. The Treasury has opposed a carbon-energy tax because of fears that this would put a heavy burden on industry.

If the meeting fails to reach agreement on a plan for cutting carbon emissions, the UK may ratify the Rio treaty on its own, Mr Yeo said.

● Post-budget questions raised over local government finance ● Government outlines plans to rein in welfare expenditure

Clarke's public spending squeeze 'tougher' than Thatcher's

By Martin Wolf

Mr Kenneth Clarke, the chancellor of the exchequer, is proposing a public-spending squeeze far tougher than anything achieved in the 1980s, Mr Andrew Dilnot, director of the Institute for Fiscal Studies, said yesterday.

Questions must be raised, said Mr Dilnot, about the feasibility and desirability of these plans.

One consequence, under plausible assumptions about local authority spending, is that council tax (local government) bills might have to rise by 15 per cent.

The government plans to increase the real level of the non-cyclical elements in public spending, contained in the "new control total" by a cumulative amount of only 3.8 per cent between 1992-93 and 1998-99.

By contrast, between 1980-81 and 1993-97, when Baroness Thatcher was prime minister, comparable spending rose by 12.5 per cent in real terms.

The government also plans to reduce real non-cyclical spending by 1.3 per cent between this year and next, before it starts to rise once more in line with former chancellor Mr Norman Lamont's plans. Mr Dilnot said it was far from obvious that such a cut was the best

way to squeeze greater efficiency out of the public sector.

Local authority spending could lead to political difficulties soon. Total central government support for local authorities is set to decline by 2.4 per cent in real terms between 1993-94 and 1994-95.

Mr Michael Ridge of the IPS noted that the revenue from the uniform business rate was set to decline from £11.6bn in 1993-94 to £10.7bn in 1994-95, an 11 per cent fall in real terms.

Mr Dilnot was particularly critical of the government's failure to set priorities. He said too much emphasis was placed on control of public-sector running costs, mainly pay, which is to be fixed in nominal terms for three years, implying a real fall of almost 10 per cent.

Furthermore, government plans implied that the shares of national income being spent on health and education would fall even though people would want to spend a higher share of their growing incomes on them.

● Mr Peter Lilley, the social security secretary, yesterday outlined the government's plans to rein in the growing cost of welfare spending by reforming the structure of the benefit system.

Mr Lilley told the House of Commons during the budget debate how he plans to reform the distribution of a range of state subsidies, including invalidity benefit, housing benefit and support for the unemployed. The reforms were, he said, intended to "strengthen our welfare state, to adapt it to modern needs, and to make it affordable into the next century. The social security system must not outstrip the nation's ability to pay for it."

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Shadow toll plan to get private investment in roads

By Roland Rudd
and Andrew Taylor

The government is proposing to pay "shadow tolls" to private investors prepared to finance the widening of the M25 around London, Britain's busiest motorway.

Investors would be repaid out of public sector funds according to the number of cars using the road. This would be instead of charging

motorists directly. Previously ministers have been opposed to employing "shadow tolls" because they felt that insufficient risk was being taken by the private sector.

The change in policy was announced by Mr Kenneth Clarke, the chancellor, in his budget speech. The M25 would be the first road to be financed through shadow tolls if the plan proceeds.

The Transport Department

intends to hold "early discussions with the construction industry and others to identify appropriate schemes." The first contracts could be awarded within 18 months.

Longer term the government intends to install an electronic system for charging motorists for using motorways but the technology for this is not yet available.

The Treasury dropped its opposition to shadow tolls in

return for the Transport Department accepting such a system of electronic charging.

There was also concern about how to increase the capacity of an increasingly congested motorway network when public sector spending on trunk roads was being reduced.

Spending on the national road network is planned to fall from £2.09bn in this financial year to £1.96bn in 1995-96.

Companies interested in taking part in shadow tolls will be asked to bid for the tender to widen a particular motorway. The company which asks for the smallest payment from the government for the traffic using its lanes would normally be given the contract.

Construction companies which have been lobbying government to accept shadow tolling yesterday welcomed the change of heart but said they

would need to see the small print of the plan before accepting it as a breakthrough.

Mr Joe Dwyer, chief executive of Wimpey said: "We do not yet know the extent of the Transport Department's initiative but as long as projects are brought forward that are commercially feasible - with an acceptable sharing of risk and reward - we would be interested in participating."

Tax changes help companies with UK HQs

By Maggie Urry and Tony Allen

Proposals for international headquarter companies in the budget will be a major benefit to groups that have wished to establish a European holding company in the UK, but were deterred, as so many have been, by the UK rules on advance corporation tax (ACT).

The chancellor of the exchequer announced that he is pressing ahead with the foreign income dividend scheme (FIDS) outlined in the March Budget, designed to help companies save surplus ACT.

The scheme has been slightly loosened with regard to international headquarter companies, in an effort to increase the attractiveness of the UK as a base for companies.

These will not have to pay ACT on dividends at all, if they have no more than 20 shareholders, and at least 80 per cent of the shares are held outside the UK.

The new FIDS scheme will take effect for dividends paid on or after July 1, 1994. Companies, except international headquarter companies, pay ACT on their dividends, and later offset it against their mainstream corporation tax bill.

But if their tax liability is insufficient to offset the ACT paid, the surplus ACT remains in the hands of the exchequer.

The FIDS scheme will help companies which earn a high proportion of profits overseas, which do not create a large enough UK corporation tax liability.

Under the scheme, companies can opt to pay a FID out of foreign source profits. Originally companies were required to match the dividend in an accounting period to the foreign profit in the same or immediately succeeding accounting period. That has now been changed to include the current and previous year, and, if those provide insufficient foreign profits, subsequent years.

The chancellor also announced an amendment to the tax treatment of Controlled Foreign Companies that will reduce the opportunities for tax planning. Non-trading CFCs are able to avoid a CFC charge if they meet the acceptable distribution test.

This has previously required the company to distribute 90% of its accounting profits (less capital gains). However, the CFC charge is based on profits as adjusted for tax purposes.

Companies were able to exploit the differences between accounting and taxable profits to reduce the impact of the CFC rules.

It is proposed that for accounting periods of a CFC that end on or after 30 November, the acceptable distribution test will be based on taxable profits, so eliminating the opportunity for planning. The Inland Revenue estimate that the measure will yield an additional £50m in tax.

The chancellor also said that for accounting periods beginning on or after budget day, where a company is treated as non-resident for treaty purposes, it will also be treated as non-resident for UK purposes.

Heir to Thatcher's mantle takes his budget bow

Philip Stephens on what the budget did for the leadership prospects of Tory rightwinger Michael Portillo

MR KENNETH CLARKE got the plaudits on the day. But among the Conservative rank-and-file at Westminster Mr Michael Portillo will take much of the political credit for the Budget.

In theory, as chief secretary to the Treasury and the chancellor of the exchequer's number two, Mr Portillo is the most junior member of the cabinet.

He is just 40 years old. He is one of the three rightwing cabinet "bastards" castigated by Mr John Major in one of the prime minister's more intemperate moments during the crisis over the Maastricht treaty on European union.

But he is also the heir to the mantle of Baroness Thatcher. A true believer and self-confessed conviction politician, he is seen by the Tory right as the natural candidate for the party leadership.

So Mr Clarke's decision to balance another round of tax increases with unexpectedly large reductions in public spending will do nothing to dim Mr Portillo's rising star.

A politician committed to

reducing progressively the share of the nation's income taken by the state, he got as much as any on the Tory right could have hoped in terms of cuts in spending targets for the next three years.

The chief secretary cannot claim it was all his own work. Under the new system for sharing out the spending cake the final decisions on each departmental budget are taken by a cabinet committee, the so-called EDX.

Nor were the additional cuts the result of a pre-planned operation to sweeten the pill for the Tory right of another round of tax increases. When EDX first started serious negotiations in September it aimed to meet the Treasury's original, higher, spending targets.

It was only when savings started to come along faster than expected that the decision was made to take a political trick by lowering those targets.

There was also sleight of hand. A close look at the figures suggests that a significant chunk of the savings will come from a fortuitous drop in the government's contributions to

Brussels. The projected public-sector pay freeze on which all the figures are predicated remains an heroic assumption.

But Mr Portillo was the chief prosecutor, attacking every bid for extra cash from the ministers who run the big Whitehall spending empires.

He was the driving force in the often acrimonious negotiations between the Treasury and Whitehall departments which led to what promises to be the toughest squeeze since the Conservatives took office in 1979.

He has also been shaping the parallel long-term spending reviews which are challenging many of the basic assumptions which have underpinned the welfare state.

Mr Clarke may insist that his commitment to preserve the welfare system is unshakable. But the chancellor has done nothing to prevent Mr Portillo appearing almost weekly on the nation's television screens questioning the long-term future of some of its principal building blocks. Even the state pension can no longer be regarded as inviolate.

Sometimes in the latest round of negotiations the chief secretary went too far. He wanted the government to break the pledge in its general election manifesto of 1992 to maintain the real value of child benefit. Perhaps he forgot for a moment that Mr John Major had personally insisted on that commitment being made to the voters.

But such setbacks have hardly deterred Mr Portillo's most significant political success over the past few months. He demanded and got large-scale reductions in the budgets for defence, local authorities, housing and transport.

More importantly, he managed to open up a debate which has posed fundamental questions about the respective roles and responsibilities of the state and the individual.

Politics will probably dictate that Mr Major's government retreats from some of the harsher conclusions of its welfare-state review.

Mr Portillo has the Tory right on his side but the mood will shift once the economy strengthens and the general

election approaches. The proposed cuts in invalidity and unemployment benefit already threaten a dangerous political battle.

But Mr Portillo is there for the long haul. Mr Clarke has confirmed his place as heir apparent in the event that Mr Major were to fall by the political wayside.

But henceforth it is the chancellor who will be looking over his shoulder.

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مكتبة الراج

MANAGEMENT: MARKETING AND ADVERTISING

Cutting down on the credits

Zapping - switching between different television channels by viewers - is the TV advertiser's nightmare, particularly when it happens during or just before a commercial break.

Anything which induces a viewer to opt out of expensively purchased airtime is therefore of interest to those who have the job of deciding where advertisements should be placed.

The latest viewer research, conducted by the ITV Network Centre for the independent television companies in the UK, shows that surprisingly few viewers switch over during the break itself; the main culprit seems to be the credits at the end of programmes.

The study indicates that by the time the credits reach best boy or chief gaffer, viewers are highly likely to have reached for the remote control, zapped and then missed the ensuing ads.

Only too aware of the increasing competition from cable and satellite and the need to keep advertisers sweet, the ITV companies have immediately responded to the research by announcing a reduction in the length of credits.

The aim now will be to cut credits to 20 seconds at the end of a programme which lasts an hour or less - ITV companies say that many programmes exceed the current unofficial guideline of 30 seconds.

The research also reveals that breaks of five minutes or more lose viewers. The study concludes: "The findings are unequivocal - if ITV is to maximise the audience to commercial breaks, as many breaks as possible should be less than five minutes in duration." More frequent, but shorter breaks, therefore, seem on the cards.

Longer term, the threat for advertisers is that viewers decide not only to zap, but to edit out the breaks altogether by using the video-recorder technology that already exists to eliminate the breaks.

In this way they order what they want to watch, rather than waiting for it to be served up.

Diane Summers

Boots the Chemists was this week putting a brave face on what must be judged, at the very least, a public relations embarrassment. Its vouchers-for-sports equipment scheme is not in the same league as Hoover's free flight fiasco of a year ago. But it does highlight some of the dangers inherent in the current rash of customer loyalty schemes, designed to attract and reward regular spenders.

Between September and November Boots issued 36m vouchers to customers - one for every £5 spent at its stores - which could be exchanged by schools for sports equipment. A total of 22,000 schools throughout the UK registered for the scheme and started eyeing equipment in the Boots' catalogue for which they hoped parents would collect tokens.

Unfortunately, the vouchers were worth so little individually that customers threw them away; when the required volume of vouchers failed to get through to schools there was a stream of complaints. Boots has recently announced it would halve the number of vouchers needed for each piece of equipment.

Such a miscalculation is just one of the traps to be avoided by companies tempted to join the customer loyalty industry.

Existing schemes range from Air Miles (run by a British Airways subsidiary), now believed to be collected by one in 10 UK households, to tie-ups between petrol stations and retailers. Premier Points, for example, are collected at Mobil and redeemed at Argos.

One of the largest schemes is yet to come. AT&T Intel, an information technology subsidiary of the US communications group, is currently negotiating with UK retailers to set up in the spring an 8m-member loyalty card programme. The company will manage the scheme on behalf of non-competing toy, grocery, petrol, DIY, electrical and clothing retailers, restaurants and hotels.

Customers can pick up points whenever they use a participating outlet and will be able to redeem them for a range of discounts, goods and services. AT&T Intel will manage the database of card members and participating companies will get shared access to the data, allowing them to mail each other's customers. AT&T Intel plans to spend \$5m marketing the scheme in each of the next three years.

Arguably there is little new about customer loyalty programmes - the "dividends" offered by the co-operative society shops, Green Shield stamps and store cards were all antecedents of the current schemes. But industry observers say recent interest is unlikely to abate. The recession has made companies question the cost-effectiveness of traditional mass-marketing techniques,



Filling up: The Mobil-Argos Premier Points scheme gave an initial boost to sales but competitors copied the idea rapidly

Diane Summers on wooing and keeping customers

Rewards for the loyal shopper

and turn to more focused methods, according to Stephen Taylor, Air Miles' marketing director. In good times, the fact that advertising is not as targeted or as effective as might be desired "doesn't really matter, because you're establishing your brand name", he says.

The economic benefits of keeping existing customers loyal, rather than focusing on the short-term recruitment of new customers, has also received much attention. The longer the "life" of a customer, the more initial recruitment costs will be spread. With an 80 per cent annual retention rate, for example, a customer base will need renewing once every five years; by increasing the retention rate to 90 per cent, the base need only be renewed every 10 years.

"Customer loyalty appears to be the only way to achieve sustainably superior profits," Frederick Reichheld, a director of the consultancy Bain and Company, wrote in the Harvard Business Review earlier this year. One of the examples he used was the life insurance business, where, Reichheld says, "a five percentage point increase in customer retention lowers costs per

policy by 18 per cent".

The latest research from Cranfield School of Management, published this week, which looked at shopping patterns in 10 large shopping centres across the UK, found that loyal shoppers spend up to four times more in their first-choice store than those who are "promiscuous" in their shopping habits.

The payoff for keeping customers is clear, but it cannot be assumed that the current craze for the card, token and voucher-based loyalty schemes is necessarily doing the trick.

Says Tim Denison from Cranfield who, together with Simon Knox, carried out the retailing research: "How effective loyalty schemes are is still in question." It is not known, for example, whether customers behave tactically towards the schemes, reaping a few advantages and then moving on to a new offer. Denison points to a lack of monitoring by companies, and accounting practices which fail to highlight which customers are most worth keeping.

Taylor suggests that deferred discount programmes - which offer discounts after points have been

accumulated - can "work, ultimately, against the whole notion of a customer loyalty programme" by devaluing the brand.

Schemes such as the Mobil-Argos tie-up may not devalue the brand, adds Taylor, but they can easily be copied. Inflation of the currency, of the type that led, in part, to the eventual demise of Green Shield stamps, may then follow.

Mobil, which says it was first into the market with the plastic "swipe" card, rather than tokens or stamps, confirms Taylor's view.

"It's like shooting at a moving target," says Mobil's spokesman Roger Newstead. Premier Points gave an initial boost to sales, but competitors pinched the idea within a short time and now it is hard to identify to what extent the scheme has increased or maintained those sales, he says. Mobil knows it needs some sort of promotion all the time, otherwise sales drop.

Clearly the danger is that competitors engage in what Taylor describes as a "zero sum game" where everybody will be "spending money on programmes just to keep the playing field level, rather than to have an advantage".

Home, sweet hotel home

The US is going to new lengths to attract tourists, writes Kate Button

If you wake up in a hotel where the television news is reported in Japanese, the breakfast menu features miso soup and green tea and your concierge slips the Japan Times under the door, you could be forgiven for thinking that you were in one of Tokyo's finest resorts.

But you are just as likely to be in America. With 19.5m overseas visitors expected to flood into the US this year, hotels are going to new lengths to attract foreign travellers.

"The whole point is to make your guests feel as at home as possible," says Jo-Anne Cavanaugh, international sales director for Marriott Hotels. "If they enjoy their experience with you, they will come back again."

Although many tourists travel abroad to sample alternative cultures, hotel sales managers in the US are finding that by adopting some of the services and customs exercised in other countries, their guests feel less disorientated and return to the same destination time and again.

For this reason Gary Zdrov, executive vice-president of HBR Hotels, based in San Francisco, California, makes special arrangements for foreign visitors, who make up 55 per cent of his clientele.

"If we have French guests, we order softer croissants, special breakfast rolls and jams," says Zdrov. "If we are hosting Germans, we make sure German beer is stocked in the bar."

Other hotels go to greater lengths, particularly for the Japanese. According to the US Travel and Tourism Administration, they are expected to comprise 21 per cent of all overseas visitors to the US in 1993.

For example, many hotel chains now offer Jan (Japan Assistant Network), which provides translation services for business travellers, plus information for holiday makers about local restaurants, shopping facilities and tourist attractions.

Some hotels also subscribe to Seola, a 24-hour international news channel on cable television that tunes into news desks worldwide to cover events directly

from source.

Hotel Nikko, in San Francisco, owned by Japan Air Lines, not only offers its Japanese guests news from home and coverage of the Nikkei stock index, but also caters for international conferencing through Photo & Sound, an in-house audio visual company that provides real-time translation of business meetings.

Hotels have also initiated finer modifications for specific foreign visitors.

The Marriott, for example, provides longer length bath robes for Japanese guests. "The Japanese are very modest people, they appreciate a little more coverage," explains Cavanaugh. Meanwhile, the Westin St Francis Hotel researches the status of its guest list prior to check-in and accommodates higher ranking individuals on higher floors than their subordinates - in line with traditional Japanese protocol.

But despite these attempts to draw foreign trade, many leading chains are reporting decreased custom from certain nationalities, including the Japanese.

Alain Ane, assistant general manager at the Hotel Nikko, claims Japanese tourists make up 25 per cent of the hotel's guest list.

But that figure is 10 per cent down on last year - and falling. Partly due to the recession in Japan, Ane believes that declining Japanese patronage is also attributable to recent negative press about the US.

Shootings of German and British tourists in Florida, the slaying of a Japanese student in October last year and the Los Angeles riots following the Rodney King incident, have done a great deal to engender fear and apprehension in travellers to the US.

"It's embarrassing," says Zdrov. "America used to provide such a wonderful and safe environment for travellers. Now we give a third-world impression of safety."

At least those willing to brave the streets of America, for business or pleasure, may rest assured their visit will be home from home.



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The Way Forward

TECHNOLOGY

Christmas is coming and the credit card bill is getting fat. Come New Year and the expense will continue with the never-ending demand for batteries to power games computers, remote control racing cars or the latest in walking talking dolls.

Increasingly advanced technologies and the growing demand for "green" products, however, means that 1994 could be the year when it becomes fashionable to recharge spent batteries rather than consigning them to the dustbin.

Traditionally, rechargeable batteries have commanded just a fraction of the market, 2 per cent of consumer battery sales in volume terms in 1992. The result is that 12bn batteries every year end up in landfill sites worldwide.

Several products launched this year have not only fuelled consumer interest, but sparked a war of words in the seemingly staid world of the battery maker.

The third largest US battery maker, Rayovac, which owns the Vidor battery company in the UK, has thrown down the gauntlet with Renewal, a re-usable alkaline battery system which will be on sale in the US for Christmas.

Until now only nickel-cadmium batteries have been re-usable - not alkaline batteries, which make up the bulk of the disposable battery market from manufacturers such as Duracell or Ever Ready.

The renewable alkaline batteries can be used at least 25 times, but only the special Rayovac brand can be used in the Renewal charger and they cost about twice as much to buy as disposable or "primary" batteries. The two Renewal chargers cost \$15 (£10) and \$30.

The Renewal batteries have the advantage over their nickel-cadmium counterparts that they can be charged to 1.5 volts - the same as primary batteries. They are also ready recharged on the shop shelves, so desperate parents can slot them into battery-powered toys without waiting hours. And there is no "memory" problem, where a battery will only fully recharge if the battery is completely spent.

Rayovac believes a further advantage is that they lose power gradually, so that consumers are warned that they need to charge the battery as the tape in the personal stereo begins to slur. Nickel-cadmium batteries lose power suddenly.

Manufacturers of rechargeable nickel-cadmium batteries, such as Ever Ready, which is the market leader in the UK, believe their technology is still the best on offer. They hit back at detractors who say that because nickel-cadmium batteries supply a constant 1.2 volts they are unsatisfactory for use in the most power-hungry toys, such as video games machines. Both disposable batteries and rechargeable

The war between re-usable and disposable batteries is getting fiercer, writes Della Bradshaw

Charged up for battle



alkaline ones begin to lose their power as soon as they are used, so it is not long before the power drops below 1.2 volts, they point out.

Each nickel-cadmium battery can be recharged 1,000 times, making them very economical. Japanese electronics specialist Panasonic is so convinced of the future of rechargeable nickel-cadmium batteries in Europe that it has recently launched its first rechargeable product, called Rechargeable Nick.

Two R6 Rechargeable Nick batteries, say Panasonic, will power a personal stereo for three years, provided that the batteries are removed and recharged every night. The alternative is to use 540

disposable batteries.

A more controversial method of recharging batteries was launched in the UK in August when Kleeze Holdings, which produces the Innovations catalogue found in many of the UK's Sunday newspapers. The company introduced a machine which recharges all the commonly available primary batteries - alkaline or zinc chloride. Only the button types which power watches and cameras cannot be put in the Battery Manager.

Although the Battery Manager was first on the market, Andy White, product development manager at the Innovations Group, says that there are 40 or 60

international patents outstanding on similar developments.

Most battery chargers work in a similar way, essentially a technology devised in the 1940s. When a battery is used the metal from the electrode is dissolved in the electrolyte and deposited. To recharge the battery the metal particles are plated back onto the electrode - in the same way as silver plating cutlery.

The variations in the way the machines work centre around the speed and power at which the batteries are recharged and the control mechanisms used to prevent the batteries exploding. The control mechanisms in the latest chargers incorporate microchips to ensure consistency.

Reaction to the Battery Manager from primary battery suppliers was swift. A spokeswoman for Ever Ready says the company is still concerned about the safety of recharging primary batteries which are sealed, so preventing the escape of gases produced in the process. Consumers who re-charge their Ever Ready primary batteries in a Battery Manager automatically invalidate their guarantee if things go wrong, she says.

"Once a year someone in the world claims to have found a way of recharging primary batteries," says a sceptical Peter Galazka, European marketing manager for Duracell. "Innovations is the latest in a long line of them."

Galazka is also concerned that the Innovations product could cause confusion and persuade consumers to recharge primary batteries in machines designed to charge nickel-cadmium batteries. That could easily result in the batteries leaking and in extreme cases, exploding.

Nevertheless, in the four months since its launch, sales of the Battery Manager have been brisk, with 200,000 chargers ordered. Previous to that, by comparison, Ever Ready reckons that only 60,000 nickel-cadmium battery chargers in total were sold in the UK.

Innovations has been a victim of its own success, however. Sales of the Battery Manager have been so brisk that Innovations has only been able to ship 70 per cent of the chargers ordered, says White.

Whether the new breed of battery rechargers will dent the ever-growing market for primary batteries is debatable. Galazka believes that consumers will be disappointed with the performance of recharged batteries, in particular about the time each battery lasts between charges.

All the battery and recharger manufacturers acknowledge that the biggest problem is consumer inertia and the "hassle factor" as Galazka puts it. "Actually," says the Ever Ready spokeswoman, "people are just lazy."

Strong feelings over patent dispute

The multimedia industry may soon turn into a legal minefield. Tom Foremski and Louise Kehoe report

US computer software companies are up in arms over the granting of a basic patent on multimedia databases to Compton's New Media, a small software company best known for its development of an electronic multimedia encyclopedia that is sold on a CD-Rom, similar to an audio compact disc.

Compton's has shocked the industry by announcing that it has been granted a patent that covers any computer-controlled system that searches through a database and retrieves text with images or audio or video information.

The company is seeking royalties amounting to 1 per cent of revenues from sales of multimedia products ranging from personal computer databases to interactive television. It has said that it will reduce or eliminate royalties on the patent to software developers who use Compton's as a distributor.

Many in the software industry are convinced that Compton's claim to have invented a novel process for searching multimedia databases is false. "This patent basically claims that Compton's invented multimedia," says Philip Dadds, executive director of the Interactive Multimedia Association (IMA), a trade association representing more than 280 companies in the rapidly emerging multimedia industry.

Compton's patent covers a search system process that is common and considered non-proprietary, the industry group maintains. Compton's patent now seems certain to be challenged in the courts. Several industry groups including the IMA and San Francisco's Multimedia Developers Group are banding together in an effort to get the patent overturned.

Compton's, however, is determined to assert its patent rights. "We simply want the public to recognise Compton's NewMedia as the pioneer in this industry, promote a standard that can be used by every developer and be compensated for the investments we have made to

make multimedia a reality for developers and end users," said Stanley Frank, president and chief executive.

The dispute has raised strong feelings in the software industry because it comes just as multimedia products appear set to break into the mainstream of personal computing. Dozens of software companies have launched CD-Rom titles for home and school use and sales of PCs complete with stereo sound and video capabilities are booming.

The fledgling multimedia industry could soon turn into a legal battleground says G. Gervaise Davis III, a partner in Davis & Schroeder, a California-based law firm specialising in intellectual property issues. Thousands of

There are as many as 15,000 software patent applications waiting for approval

multimedia patent applications have been filed in the past few years, he notes.

However, the row over Compton's multimedia patent is only the latest example of a much broader problem with software patents. Critics charge that software patents covering basic ideas are stifling the creativity of the small companies that have led innovation in the software industry by limiting access to fundamental ideas.

Until seven years ago, the US Patent Office did not grant patents on software. Since then, more than 10,000 software patents have been granted, but there are as many as 15,000 software patent applications waiting for approval.

Yet the US Patent Office is ill-equipped to examine properly these claims, industry critics charge. The agency lacks the expertise or resources to fully research "prior art" that can invalidate patent applications. As a result, several sweeping patents have been granted for

basic computer processes that are not novel, the IMA complains.

A group of US firms including Apple Computer, IBM, Digital Equipment, Lotus Development and Microsoft have formed the Software Patent Institute, which is building a database of software inventions for the Patent Office's use in an effort to avert software patent disputes.

But Compton's patent issue is sparking industry pressure for broader reforms. The IMA has called for the formation of an industry commission to review pending patents and provide the Patent Office with the expertise it currently lacks.

Some are also calling for changes in US patent laws to give patent challengers an opportunity to make their case before a patent is granted. Currently, in the US, patent filings are secret until approval is granted. This means that anyone wishing to dispute a patent must either challenge the patent in the courts or ask the Patent Office to re-examine the patent.

Both are lengthy and expensive procedures. In the meantime, the challenger must pay royalties to the patent holder or run the risk of being liable for triple damages for willfully infringing the patent.

Such disputes are nothing new in other sectors of the high-technology industry such as semiconductors and computer hardware, where patents have long been recognised as a primary means of protecting intellectual property rights that enable innovators to recoup their investments in technology development.

Yet in the software industry, patent rights are a relatively new phenomenon and one that few developers have previously encountered. Although many may see the dispute over Compton's patent as a threat to innovation, it may well prove to be a catalyst for broader understanding of intellectual property rights in the software industry and improvements in the patent process that will eventually benefit all software developers.

PEOPLE

Sir Bob Reid to chair London Electricity

Sir Bob Reid, full-time chairman of British Rail since 1990, has been appointed a non-executive director of London Electricity, and is scheduled to take over as part-time chairman of the company on April 1, when the incumbent, John Wilson, retires.

A BR spokesman said that the new appointment did not signify the likelihood of Sir Bob stepping down from his role at BR, where he is on a five-year contract. "He anticipates that his post with London Electricity, even when he becomes chairman, will not take up more than two days a week."

Nor is there any indication

that Sir Bob's current part-time BR job, which, in his words, was to "make sure the trains run on time", will be scaled back, even though the Railways Bill, coincidentally coming into effect on April 1, will leave him without any train timetables to concentrate upon.

Sir Bob has in the past clashed with government ministers over rail privatisation, and his role at BR has to some extent been undermined by the appointment of another former oil executive, Bob Horton, former chairman of BP, as head of Railtrack, the newly-formed body which will initially take charge of railway stations,



though the two are understood to have cordial relations. From April 1, Sir Bob's role at BR, according to some commentators, will be merely to supervise the dismantling of

the rail network as it is known today, though he gives every indication of seeing his BR contract through to what may ultimately be a rather bitter end.

But Sir Bob is pleased to join London Electricity not least because its cash position is - unlike BR's - very healthy. Aged 59, he joined Shell in 1956 and spent more than 30 years there, eventually becoming chairman and chief executive in April 1985 until September 1990. He is also a director of the Bank of Scotland, and earlier this year was installed as the first chancellor of the Robert Gordon University, Aberdeen.

Non-executive directors



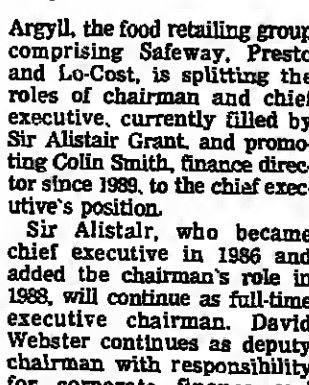
Barrie Stephens (above), who has built Siebe into Britain's biggest engineering company in the space of 20 years, has picked up his first non-executive directorship since he announced that he was splitting his role as chairman and chief executive of Siebe. An industrial engineer who has spent his whole life in the engineering industry on both sides of the Atlantic, he has been appointed a non-executive director of the troubled Simon Engineering.

The appointment is a coup for Simon which, despite its illustrious history, is a fraction of Siebe's size and has been hit by management upheavals and financial problems. Sir Richard Lloyd, chairman of Vickers, sits on the boards of Siebe and Simon and is understood to have helped recruit Stephens. The latter will be 66 next month and while he will remain a non-executive chairman of Siebe, he is handing over the chief executive's job to Allen Yurko.

Meanwhile, Alan Jarvis, who was replaced as Simon Engineering's finance director last October, has resigned from the board.

■ Derek Roberts, provost of University College, London, and a former joint md (technical) of GEC, at FISONS.
■ Anthony Hamilton, joint md and head of corporate finance at Fox Pitt, Kelton, at AXA EQUITY & LAW.
■ Peter Wood, who was chairman of the Heart of England Building Society at the time of its merger, at CHELTENHAM & GLOUCESTER BUILDING SOCIETY.
■ Peter Ross has resigned from TINSLEY ROBOR.
■ Mark Denby, underwriter for marine syndicate 608, at ASHLEY PALMER & HATHAWAY.
■ Miller McLean, director of legal and regulatory affairs at The Royal Bank of Scotland, as vice-chairman of BANCO DE COMERCIO E INDUSTRIA.
■ Following the retirement of Charles Winter, vice-chairman of both the Royal Bank and BCI.
■ Flemming Heilmann, chairman and ceo of Brockway Standard of Atlanta and already on the board of Porter Cords, at the PORTER CHADBURN in the UK.
■ Murray Stuart, vice-chairman of Hill Samuel Bank, at CLERICAL, MEDICAL AND GENERAL Life Assurance Society. Robert Walther, investment director of Clerical Medical Investment Group, as chairman of Clerical Medical International's Isle of Man companies on the retirement of Andrew O'Leary.

Smith benefits from split role at Argyll



Argyll, the food retailing group comprising Safeway, Presto and Lo-Cost, is splitting the roles of chairman and chief executive, currently filled by Sir Alistair Smith, and promoting Colin Smith, finance director since 1989, to the chief executive's position.

Sir Alistair, who became chief executive in 1986 and added the chairman's role in 1988, will continue as full-time executive chairman. David Webster continues as deputy chairman with responsibility for corporate finance and development and strategic planning.



Argyll says Sir Alistair, who is nearly 57, was keen to "play in" a new executive before he reached the retirement age of 60, and bring in someone else to participate in trading and investment decisions that may have an impact beyond that date.

"We will split the job as you would expect," said Smith (above right) yesterday. "It will be my responsibility to conduct operations, while Alistair will be executive chairman. He is the boss at the end of the day."

He added that "everybody's style is different. Mine will be different from Alistair's, who had a background in marketing, while mine was on the finance side. My style will probably be different from what it was when I was finance director. I will need to get much more closely involved with the operations."

■ Ken Pepper has been promoted to become md of international operations for ISS Europe.
■ David Ellington, formerly director of strategic planning, has been appointed operations director of BICC Cables.
■ Peter Glanville, formerly vice-president of sales worldwide based in Chicago, has been appointed vice-president and md for Europe, Middle East and Africa of BUDGET RENT A CAR.



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ARTS GUIDE

BARCELONA

BOLOGNA

Theatre 'Derby Day' winner

Here is a real long shot, but in the end a clear winner. The Yorkshire Theatre Company's *Derby Day* by Brian B Thompson is all that we have learned not to expect from the contemporary fringe theatre in London. True, like the principal horse involved, it has a slowish start. After that, it has all the traditional virtues of laughter, suspense, a touch of sentimentality and even a social conscience.

One of the reasons for admiring it is that it is so unexpected. *Derby Day* comes from no recognizable stable. It contains a lot of blunt Yorkshire humour, then moves to Newmarket where the way of life is quite different, but still essentially male-dominated.

The adopted daughter of a widowed trade unionist has moved south to become a jockey. I shall not reveal whether or not she wins the Derby for that is part of the suspense, and anyway the result depends on a stewards' inquiry. Yet even from that brief outline you should see that there are serious subjects underlying the comedy.

Derby Day combines old-fashioned drama with old-fashioned acting and staging. There is a cast of four, and no props except the odd box and fence. The actors play the horses as well as the jockeys, trainers, owners, BBC commentators and other hangers-on. They do the horses by emitting a series of grunts and moving forwards and backwards as each race takes its course.

A touch of fairy tale enters when the Kentucky horse Lone Dancer (one of several roles by Christopher Halliday) turns out to be able to talk, but mainly to the girl jockey.

The horses can, of course, talk to each other, as they do before the start of the big race. One of them is called "Theboydonegood". "No horse with a cheap and nasty name," says a horse named Bunbury, "has ever won the Derby." Still, Theboydonegood makes the early running.

Thompson throws in pots of outrageous jokes. "You didn't catch Glen Atties in the bookies," says the trade unionist. The whole piece is extraordinarily good-natured. In the one scene of violence where the male jockeys turn on their girl rival, the punching and kicking is mimed rather than acted out. Much London theatre could learn from this restraint.

It is tempting to give all the acting laurels to the diminutive Rosalind Paul as the heroine, and certainly this is a magnificent performance. Yet she also has the most sympathetic part. The boys do pretty good as well: not only Halliday, but Bruce Byron and Andrew McIlwain in various other parts. This is an outstanding group directed by Toby Switt.

Derby Day runs at the Cockpit Theatre, London NW8, (071) 492 5081.

Malcolm Rutherford

Cinema/Stephen Amidon Minus heart and guts

The Hawk is a British screen thriller that strives so hard for efficiency that it winds up jettisoning its characters for a fast, smooth ride. Set in a quiet Manchester suburb, it tells the story of a frustrated housewife (Helen Mirren) who gradually comes to suspect that her straying husband may in fact be The Hawk, a serial killer who has been dispatching women very similar to herself with alarming alacrity. As the clues begin to accumulate, she tries to make her fears public, only to have her own past history of mental illness cast doubt on her reliability as a witness. As is usually the case in these sorts of stories, she is left on her own to investigate whether or not her suspicions are correct.

The best thing about this film is that everyone seems to know they are working to a tried and tested formula. It is a largely seamless production, unpretentious and fast-moving, only coming unglued at the end with a gratuitous sprint to the demolition lot in pursuit of that vital clue. David Hayman's direction is crisp and Mirren's performance is as subtly regal as ever.

The problems lie in Peter Ransley's script. He seems so intent on his mechanics that he neglects the ghost in the machine - fully rounded characters. To be sure, the clues accumulate, red herrings wriggle by, a big climax is achieved. But where is the motivation, the psychological nuance? The killer's mind remains an enigma even after his identity is revealed, while Mirren's past mental illness is shown to be post-natal depression, hardly likely to cast her suspicions into doubt over that her youngest child is seven

or eight. And minor characters, especially the relatives who harbour the killer, are two-dimensional villains. These are maddening shortcomings since they could have been rectified in the time it takes to pan along a grimy Manchester street. In the end, the film remains a distinctly cool, grimly functional affair. Any satisfaction to be had by watching the did-he-or-didn't-he plot unfold

THE HAWK (15)
David Hayman

BOUND AND GAGGED: A LOVE STORY (18)
Daniel Appleby

LAST YEAR IN MARIENBAD (U)
Alan Resnais

TALE OF THE FOX
Wladyslaw Starewicz

remains north of the neck, leaving the heart and the guts untouched.

The best thing about *Bound and Gagged: A Love Story* is its title, which promises the sort of kinkiness and black humour in the work of Almodovar or David Lynch. Unfortunately, the film proves to be neither sexy nor funny. In fact, it is hard to figure out exactly what were the thematic intentions behind this stylized, off-key road movie to nowhere.

The plot is not without a certain skewed potential - rebellious bisexual Elizabeth (Elizabeth Saltzman) kidnaps her lover Leslie (Ginger Lynn Allen) when the latter proves unable to make the break from her abusive husband (Chris Mulkey). Accompanied by Cliff

(Chris Denton), an inefficiently suicidal nerd, they set off across the American heartland with the wronged and wrongful husband in pursuit. Their destination is the ranch of a veteran de-programmer (Karen Black), who, Elizabeth hopes, will be able to "cure" Leslie of her dependency on her husband in particular and men in general.

Despite the plot's potential wackiness, writer/director Daniel Appleby proves incapable of finding either the right comic or erotic pitch to make this strange story work. Since little attempt is made to establish an emotional bond between viewer and characters, much of the film is downright unpleasant. Appleby spends so much time trying to make matters stylishly hip that they wind up not being much of anything at all. The humor is crass, relying on kicks to the groin and smashed heads, while there is a decidedly unfunny sub-plot involving winy Chris's estranged wife and her Native American lover. A bunch of guff about dependency and personal freedom is wheeled out in the final frame in a belated attempt to render meaning, but by then most viewers will have abandoned this road trip for the first bus back home.

When *Last Year in Marienbad* was first released thirty-two years ago, it proved the sort of movie that could divide audiences as effectively as a slab of falling masonry. Some hailed Alain Resnais's second film as a masterpiece which helped liberate cinema from the shackles of narrative dogma, while many others dismissed it as self-indulgent tripe. What is interesting in viewing it now is that it inhabits neither of these extremes, standing instead as a necessary if not exactly enduring stage in the history of French cinema, a 90-minute purgation of its storied past in favour of the New Wave.



Thriller which tries too hard: Helen Mirren and Owen Teale in 'The Hawk'

textual repetition takes the place of linear exposition.

Viewed in itself, the film is now a distant enigma, an ageing riddle there seems little reason to solve. But when placed in the context of cinema history, it begins to make sense. Resnais and writer Alain Robbe-Grillet were not trying to tell a story or even create a genre, but were rather taking a hammer to the work of the masters who had preceded them. By setting the film in a retreat for the upper classes, Resnais deliberately evoked the work of Ophüls and Renoir, only to tear it into glorious shreds. It is as a piece of sumptuous vandalism, and not in establishing any aesthetic criteria for subsequent filmmakers, that *Last*

Year in Marienbad proves revolutionary. Thus only those wanting to understand the evolution of French cinema who will feel gratified by this beautiful relic's re-release.

A French relic with more accessible charms is Wladyslaw Starewicz's *Tale of the Fox*, a pioneering 1931 masterpiece of animation. It took the director ten years to prepare and 18 months to shoot this 60-minute jewel - and it shows. From its small, exquisite puppets to its sophisticated sense of wry humor, this fairy tale oozes care, rivaling anything done in animation since. It reminds you that all the digital technology and computer wizardry in the world cannot best a solitary injection of passion and humanity.

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Theatre 'Celestina', the bygone blockbuster

"Arguably Europe's first blockbuster" is how the advance hubbub describes Fernando de Rojas's *La Celestina* (1499, with over 60 reprints before 1600). The story it tells is all about love - in particular, carnal love overwhelming courtly love. Its title character is a bawdy who makes profit by using sorcery. She helps one man, Calisto, turn his unreciprocated courtly love for Melibea into reciprocated passion.

The tale is satirical, and it ends bitterly. Passion leads to date rape, while the financial greed involved in Celestina's schemes leads to her death and that of her envious assistants. Calisto's heartless enjoyment of Melibea backfires on him, and leads to his accidental death: whereupon Melibea, still ardent for him but still sore that he ever deflowered her, takes her own life. Love! Love the sweet poison, love the dear wound - "Love, thou has the power to kill thy subjects."

I adore all this kind of stuff. But, ever fear, Jilly Cooper and Co. this ex-blockbuster is not likely to knock you off the best-seller lists these days. Certainly not in this Actors Touring Company version, translated by James Mahbe and co-adapted by Max Hafler and Nick Philippou. (Philippou directs.) As performed here, the story simply becomes mildly camp. The noble characters speak in "bees" and "bous", whereas the vulgar people's talk is decidedly modern ("I'd rather oock with a leper"). This alternation becomes far-fetched, and the switch between "thou" and "you" occurs once in mid-sentence: "Thou makest me believe you."

Each of the six actors has to represent at least two characters. The role-swapping is fun, and the perfor-



mance is energetic, but nothing much stirs beneath the lively surface. Each character is simply an obvious "type". As the play proceeded, I grew interested by Mia Soteriou's vivid but unexaggerated account of two opposite roles, the virtuous maid Lucrécia and Celestina's scheming daughter Elvira; and Lucy Whybrow as a shrill, plaintive Melibea and the gutsy good-time girl Aurea. But Ann Firbank plays Celestina as just an obvious crone. Sebastian Harcombe overdoes all Calisto's external features - glassy

smile, pretty gestures, tremulous declaration - while never exposing any real erotic drive.

The more serious the tale grows, the more enjoyable the performance becomes. You want to know what will happen next. But love? It was never in evidence for a moment.

Alastair Macaulay

At the Lyric Studio, Hammersmith, W.6. 081-741-2311, until December 11

A cradle for new music

It may no longer be a hot-bed of the avant-garde, but Vienna is still home to all that is modern and contemporary in music. That music is confirmed by Wien Modern, founded by Claudio Abbado in 1988 and now the biggest, most popular contemporary music festival in Europe. It is an extraordinary achievement. The festival virtually takes over Vienna's concert life for four weeks, drawing full houses night after night. This year's event was more wide-ranging than the previous five, and no less palatable.

Vienna has advantages. As well as being a city of musical entertainment, it has always been a cradle for new music, from Schubert to Schoenberg, and composers still form an important part of the local music establishment. It has two ensembles whose raison d'être is to interpret modern music: the exalted Klangforum Wien - Vienna's answer to the London Sinfonietta - and the Austrian Radio Symphony Orchestra. And the city government backs Wien Modern to the tune of \$10m (\$625,000).

Such foundations do not guarantee the viability of a large-scale festival; the key is seems to be the way Wien Modern sells itself. It builds its programme around four established composers, but leaves room for subsidiary themes. It encourages a youthful audience by spotlighting a younger Austrian composer and offers the complete set of 40 concerts for the all-in price of \$260 (\$40). It does not restrict itself to the new or avant-garde, but sets these in the context of a postwar retrospective. And it unites the city's two main concert promoters - the Musikverein and the Konzerthaus. No wonder Wien Modern is a success.

This year, there were mummings that four weeks were too long, that some of the visiting ensembles were of indifferent quality. A more sustainable complaint was that Abbado, as artistic director, should be less of a figurehead and more of a partici-

pant. He conducted just one short work; more is promised next year.

My own impressions left such quibbles in the shade. The four main composers were Bernd Alois Zimmermann, Toru Takemitsu, Krzysztof Penderecki and Erich Urbanner. Zimmermann died a generation ago, but the concerts I heard underlined how advanced his music sounds even today. Takemitsu is virtually unknown in central Europe, so this was a chance for Vienna to catch up. The 60th birthday tribute to Penderecki suggested there may not be such a marked difference between his early and later output as previ-

ously thought. The inclusion of Urbanner, born in 1936 and unknown outside Austria, seemed more of a sop to local interests.

Zimmermann at his most dynamic, sinewy and down-to-earth was represented by the early Violin Concerto (1949), played with tremendous spirit by Ernst Kovacic. *Antiphones* for solo viola and 25 instrumentalists (1961) was at once more absorbing and perplexing, its oblique collage of sound experiments and multilingual texts challenging the imagination but offering little to the heart. It formed the centrepiece of a Klangforum concert conducted by Hans Zender, whose own *Fürn No. 4* ("Songs about wind and bells") - beautifully vocalised by Julie Moffat - bore the stamp of a Zimmermann clone. Zender should stick to conducting, at which he is expert.

Of the younger generation of Austrian composers, the spotlight fell on Georg Haas, whose microtonal *Descent* was a delicate filter of isolated sounds and sudden, massive climaxes, confidently scored for

large orchestra. It is an unmistakable product of the Viennese school, currently dominated by Friedrich Cerha - whose own *Langsamer* *Allegretto* (1991), conducted by Cerha himself, gobbled up all the resources that the Austrian Radio Symphony Orchestra could muster.

Cerha will never be able to free himself from the language of Berg, but *Langsamer* was more uninhibited than anything else of his I have heard. It incorporates some spicy African and Arabic influences, and supplements the main orchestra with an instrumental group in the body of the auditorium - as echo, counterpoint, conversational partner and rival band. Probing the relationship between space and sound is nothing new: from Gabriell to Gruppen, there are plenty of groundbreaking precedents. But Cerha has offered his own valid contribution.

The Docklands Sinfonietta brought Harrison Birtwistle's *Three Movements with Fanfares* (1965) - a fount of brilliant, tightly-compressed ideas - and Jonathan Harvey's *Eastern Orisons* (1989), an unbroken skein of sound which takes on a momentum of its own and rewards patient listening. In this context, it was hard to take Takemitsu seriously. *Nostalgie*, a tribute to the late Andrei Tarkovsky, mirrors the slow, funeral world of his film, *Tree of Life* sounded so familiar - so Debussy - that it is a wonder no-one has accused Takemitsu of plagiarism.

Stan Edwards conducted performances of commitment and refinement. Her orchestra's visit was part of a British mini-invasion of Vienna over the past fortnight. Independent of Wien Modern, the Northern Sinfonietta gave two guest programmes featuring music by John Caskoe and Nicholas Maw. A new production of Kenneth MacMillan's *Manon* has just given the Staatsoper ballet its biggest success of recent seasons. And this weekend Simon Rattle makes his debut with the Vienna Philharmonic.

INTERNATIONAL ARTS GUIDE

ATHENS

Megaron Sun, Mon, Tues: Gerd Albrecht conducts Czech Philharmonic Orchestra in works by Beethoven, Brahms, Dvorak and Mahler, with mezzo soloist Brigitte Fassbaender (01-728 2333/01-722 5511)

BARCELONA

Gran Teatre del Liceu Sat: Richard Cohnyngs conducts first of eight performances of Gian-Carlo del Monaco's 1988 Zurich production of Donizetti's *La fille du régiment*, with Edita Gruberova and Deon van der Walt (tel 412 3532 fax 412 1199)

BOLOGNA

Teatro Comunale Tonight, Sun afternoon, next Tues (also Dec 9, 12, 15): Riccardo Chailly conducts Luis Pasqual's production of Puccini's *Trittico*, with a cast led by Paolo Gavanelli, Henry Jane Johnson, Luis Lima, Adriana Morrell and Leo Nucci. Dec 10, 11: Chailly conducts Mahler's Third Symphony

(No telephone bookings accepted. For information, call 051-529999)

GENOA

Teatro Carlo Felice This season opens next Thurs with the Strehler production of Don Giovanni, starring Ferruccio Furlanetto, Cecilia Gasdia and Laurence Dale. Repeats with changing casts on Dec 11, 12, 15, 17, 18, 19 and 21 (010-589329)

LONDON

THEATRE

● Cabaret: a new production of one of the great modern musicals, directed by Sam Mendes. Jane Horrocks plays Sally Bowles, with Alan Cummings as Emcee at the Kit Kat Club. Previews from tonight, opens next Thurs (Donner Warehouse 071-887 1150)

● The School for Wives: Ian McDiarmid plays Arnolphe, Moliere's most celebrated role, in this rare London revival of one of the finest, funniest and most affecting French plays. Previews start tonight, Press night next Wed (Almeida 071-359 4404)

● Mother Courage and Her Children: Anthony Clark's touring production of Brecht's play comes to the Cottesloe. Previews from tomorrow, opens on Mon (National 071-928 2252)

● The Wind in the Willows: Alan Bennett's adaptation of Kenneth Grahame's magical animal tale returns for a Christmas run in the Olivier, in Nicholas Hytner's award-winning production. In repertory with *The Absence of War*, David Hare's new play about the Labour Party, starring John Thaw

(National 071-928 2252)
● Relative Values: Tim Luscombe's admired Chichester festival production of Noel Coward's comedy, with Susan Hampshire and Alison Fiske (Savoy 071-836 8888)

OPERA/DANCE

Covent Garden The Royal Ballet has a final performance tonight of a mixed bill including MacMillan's *Different Drummer* and Forsythe's *Herman Schrimmer*. Repertory for the rest of the month consists of a double bill pairing Balanchine's *Ballet Imperial* and Ashton's *Tales of Beatrix Potter*, and Peter Wright's production of *The Nutcracker*. The Royal Opera's latest revival of *Tosca* opens on Sat with Anna Tomowa-Sintow, Alberto Cupido and Sergio Leifkus, conducted by Edward Downes (till Dec 18). Repertory also includes *Die Zauberflöte* (071-240 1066)

Coliseum ENO repertory this month consists of Tim Albery's new production of *Shamaghin* conducted by Mark Elder, plus revivals of *La nozza di Figaro* and *Die Fledermaus* (071-436 3161)

Royal Albert Hall Valery Gergiev conducts a concert performance of Tchaikovsky's *1812 Overture*, with soloists from the Kirov Opera, plus Royal Philharmonic Orchestra and London Choral Society (071-589 8212)

Sadler's Wells London Contemporary Dance Theatre ends its season with performances tonight, tomorrow and Sat, featuring works by Angelin Preljocaj, Amanda Miller and Christopher Bruce (071-278 8816)

CONCERTS
South Bank Centre Tonight (RFH): Alexander Lazarev conducts BBCSO in symphonies by Szymanowski and Gorecki. Tonight (QEH): Academy of St Martin in the Fields. Tomorrow: Gilbert O'Sullivan. Sat: Seiji Ozawa conducts Boston Symphony Orchestra. Sun: Günter Herbig conducts RPO in Schubert, Rakhmaninov and Brahms, with piano soloist Cecilia Cusack. Tue: Mark Wiglesworth conducts LPO in Wagner, Mahler and Sibelius, with mezzo soloist Jari van Nes. Wed (RFH): Jana Glover conducts RPO and Huddersfield Choral Society in Mozart's arrangement of Handel's *Messiah*. Wed, Sat (QEH): John Eliot Gardiner conducts concert performances of L'Incoronazione di Poppea, with cast including Sylvia McNair and Anne Sofie von Otter. Dec 9 and 13: Svetlanov conducts the Philharmonia. Dec 15, 18: Mariss Jansons conducts LPO (071-928 8800)

Barbican Tonight: Colin Davis conducts LSO and Chorus in first of a series of concert performances of Bartók's *Les Troyens*, with a cast led by Jane Henschel, Vladimir Bogachov and Luciana d'Intino. The two parts are played on consecutive evenings tonight and tomorrow, Sat/Sun, next Wed/Thurs, plus a complete performance on Dec 12 (071-636 8891)

MADRID
Teatro Lirico La Zarzuela
Tomorrow: Miguel Roa conducts Madrid Symphony Orchestra in music for orchestra, military band and chorus. Dec 8-22: Compania Nacional da Danza in choreographies by Kyllan, Dusto

and Forsythe (01-429 8225)
Auditorio Nacional de Musica Tomorrow, Sat, Sun: Theo Alcantara conducts Spanish National Orchestra in works by Salvador Puyol, Ravel and Saint-Saens, with pianist Jean-Pierre Dupuy and organist Anselmo Serra (01-337 0100)

MILAN

Teatro alla Scala The 1993-4 opera season opens next Tues with a new production of Spontini's *La Vestale*, conducted by Riccardo Muti and staged by Lilliana Cavani, with a cast including Karen Huffstodt, Danyse Graves, Dimitri Kavales, Anthony Michaels Moore and Luca Lombardo (eight performances till Dec 23). Seiji Ozawa and the Boston Symphony Orchestra give a concert on Dec 13, and there will be eight performances of the Nureyev production of *Nutcracker* between Dec 14 and 31 (02-7200 3744)

PRAGUE
Dvorak Hall Tonight, tomorrow: Gerd Albrecht conducts Czech Philharmonic Orchestra in works by Martinu, Klein, Mozart and Dvorak, with horn soloist Zdenek Tylsar. Next Wed: Foerster Trio plays piano trios by Tormasek and Schubert (02-286 0111)

ROME

Teatro Olimpico Tonight: John Eliot Gardiner conducts Monteverdi Choir and Orchestra in a concert performance of L'Incoronazione di Poppea (06-320 1732)
Accademia di Santa Cecilia

Tomorrow: Lothar Zagrosek conducts Ensemble Modern in works by Dallapiccola, Lachenmann and Nono. Sun, Mon, Tues: Daniele Gatti conducts orchestral works by Richard Strauss, with soprano Sharon Sweet. Dec 12, 13, 14: Wolfgang Sawallisch conducts Mendelssohn (06-678 0742)

Teatro dell'Opera Tomorrow, Sun: Aida with Giuseppe Giacomini and Nina Rautio. Programme subject to cancellation or change at short notice (06-481 7003)

Universita La Sapienza Sat: Trio di Vienna plays piano trios by Dvorak and Shostakovich. Tues: Alessio Vlad conducts Camerata Strumentale di Santa Cecilia in works by Petrassi, Malipiero and Milhaud (06-381 0051)

TURIN

Teatro Regio Janacek's *Tha Makropoulos* Case opens next Thurs, with Raina Kavalanska and Barbara de Malo alternating as Emilia Marty. Further performances Dec 12, 14, 15, 17, 18, 19, 21, 23 (011-8815 214)

VENICE

Teatro La Fenice Tonight: Garcia Navarro conducts Pier Luigi Pizzi's production of Rossini's *Moisè in Egitto*, with Ruggero Raimondi and Luciana Serra. The Fenice Orchestra gives concerts under Carl Melles on Dec 11 and 12, and Peter Schneider on Dec 21 and 22 (041-521 0161)

ARTS GUIDE

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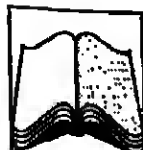
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Super Channel: FT Reports 1230.
TUESDAY
Super Channel: West of Moscow 1230
EuroNews: FT Reports 0745, 1315, 1545, 1845, 2345

WEDNESDAY

Super Channel: FT Reports 1230
THURSDAY
Super Channel: West of Moscow 1230; FT Reports 2130
EuroNews 0745, 1315, 1545, 1845
FRIDAY
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SATURDAY
Sky News: 0330, 1330
SUNDAY
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كتاب الابرار

Economic eggheads unscrambled



BOOK REVIEW

He's sick of the lot of them. Alfred Malabre would refrain from using such coarse language. But, after 35 years of business and economic reporting for the Wall Street Journal, his opinion of professional economists seems pretty low. His advice to the public and policymakers: stop listening to these charlatans and follow your gut instincts.

Malabre's long service in the economic trenches gives him a valuable sense of perspective. He points out that the omnipresent economic "guru" is a relatively recent phenomenon. Politicians and industrialists did not always hang on economists' every word. When Keynesianism was in vogue, he joined the Journal staff in 1963, the paper did not employ any economists. It rarely ran an article about economics on its feature pages. If reporters used terms such as "balance of trade", they had to define them because readers were assumed to be "economic ignoramuses".

This was not an oversight on the Journal's part but a reflection of the low demand for the insights of economists. In those days, few of Wall Street's top firms bothered to employ professional economists. Salomon Brothers, for example, did not set up an economics department until 1961. Economists were just as rare at leading US corporations. The National Association of Business Economists had not been created. The economy, however, was doing just fine.

Malabre fears economists have sold the public a false bill of goods. Through the use of computers and high-powered mathematics the profession has created a largely fraudulent aura of scientific competence. At the same time practitioners have made large sums by pretending to be able to predict the economic future. Yet their forecasts have proved anything but accurate.

Moreover, economists have made grandiose claims for a succession of mutually inconsistent theories - Keynesian economics, monetarism and supply-side economics. In the author's view, none lived up to

LOST PROPHETS

By Alfred L. Malabre Jr
Harvard Business School Press
272 pages \$27.95

expectations and each created as many problems as it solved. Malabre's first swipe is at John Maynard Keynes. His theories, he argues, had absolutely nothing to do with the US's superior economic performance after the second world war - for the simple reason that Keynesian professors did not begin to exert much influence in Washington until the election of John F. Kennedy in 1960. In the 1940s and 1950s policymakers still followed the old rules - balanced budgets, sound money and so on.

The author marvels at the extraordinary hubris of the Keynesian gurus (mostly from Cambridge, Massachusetts) of the 1960s: the Paul Samuelsons and Walter Henders. Many Keynesians seemed convinced that scientific "demand management" could abolish the business cycle. Yet as soon as Kennedy and Johnson tried to put their ideas into practice everything came unstuck. Their legacy was not endless economic expansion but the inflationary crack-up of the 1970s and the budget deficits that still haunt the US.

The next craze - monetarism - was no better. Indeed, Malabre recalls with shame how "super salespeople" such as Milton Friedman duped him. Friedman assured Malabre in long discussions that there was a reliable short-term link between monetary growth and inflation, but somehow forgot to mention that the velocity of circulation (the rate money changes hands) could vary.

Malabre recalls with shame how Friedman "virtually dictated" articles to him which ran at length on the Journal's front page. Yet the relationship between money and inflation proved more complex than Friedman claimed; by the late 1960s central banks were not sure they could define money, let alone control its growth.

Malabre reserves his strongest invective for "supply-side" economics - the theory that tax cuts would generate so much growth they would pay for themselves. He always

regarded this as "nonsense of the worst sort" but had to watch helplessly as the Journal's influential editorial page became prime sponsor of the new gospel. He argues the theory was so daft it could never have won political support without the tireless advocacy of Journal writers such as Jude Wanniski and Robert Bartley. It led, he claims, to record budget deficits, a collapse of US savings and investment and a reduction in the economy's potential growth rate.

The lesson from these debates, says Malabre, is that economists must learn to be humble. They are not scientists. They cannot predict the future. They have at best a limited understanding of the economy. Their policies are hard to implement and often backfire in unexpected ways. Policymakers, meanwhile, should be less gullible and recognise that the economy has a natural rhythm - the business cycle - which they can do little to tame. They should concentrate on the simple things, like keeping their budgets in balance.

Malabre hints that the economic profession, at least in the US, may now be losing ground. He reports that many companies have reduced their economic staff since the mid-1980s: Citibank, for example, once employed more than 50 economists but now makes do with only a handful. At Harvard, government has overtaken economics as the most popular undergraduate major. President Clinton's economics team consists mainly of lawyers rather than economists. All this suggests economists may now be paying a price for their exaggerated claims to omniscience.

It was time somebody took a shot at economists. Malabre has got his revenge on the eggheads who lectured him for so many years. But his critique, though highly entertaining, is probably too damning. Most economists subscribe to a core of theory - mostly microeconomic - that is useful and that should be heeded by politicians. It is the egotistical forecasters and "super salespeople" that give the profession a bad name.

Michael Prowse

The ghost of the destruction of the Ayodhya mosque, which has haunted India for a year, has been laid to rest.

The verdict from six state elections held last month is clear. Though vote counting has yet to be completed, the electorate has rejected the Hindu nationalist Bharatiya Janata party.

Supporters of the BJP, the main opposition to the ruling Congress (I) party in parliament, unleashed widespread violence and political unrest after they stormed the mosque last December, resulting in more than 2,000 deaths. At the time of the riots the BJP's support was rising. Before Ayodhya the BJP controlled four of the six states. Now it will run just two.

The BJP's defeat comes as a relief to the Congress party and Mr P V Narasimha Rao, the prime minister, who even a few months ago feared the BJP might do well enough in the state polls to give unstoppable momentum to its demands for an early general election.

The outcome is thus the prospect of greater political stability for the government than seemed likely earlier this year. Mr Rao, under attack from within his own party for failing to combat the BJP with any vigour, has seen his soft-soled approach vindicated. Now, he can look forward to leading the party and the country at least until the next general election due in 1996. Mr H K L Bhagat, the Congress party president, says: "The results have strengthened the party and strengthened the prime minister."

Businessmen have also welcomed the poll result as it provides some assurance of political stability at a time of economic change: so too have stock market investors who yesterday sent the Bombay Stock Exchange's index up \$9.71 to 3,292.85 on the first trading day following the election results.

Mr Tarun Das, director-general of the Confederation of Indian Industry, a leading employers' organisation, says: "Stability at the political level is good news for the economy and for investors, including foreign investors."

However, the fact that the government is now relatively stable does not mean that it is popular. The election results show that Indians remain disillusioned with their national political leaders. The fall in BJP support was not matched

Recipe for reform lacks dash of spice

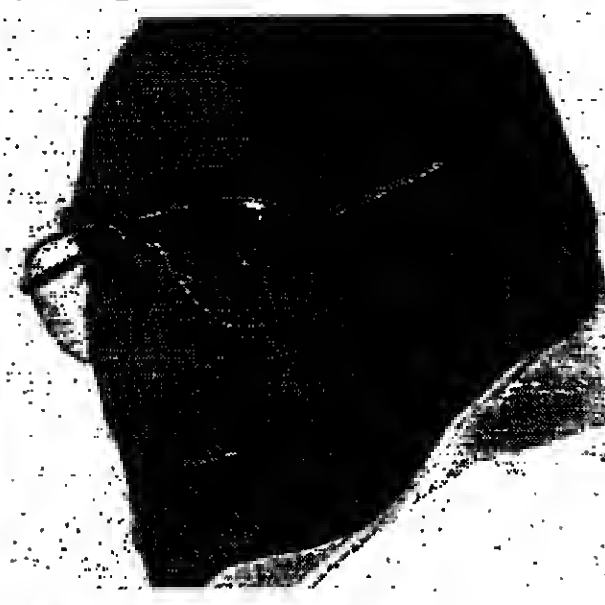
Elections have strengthened India's PM but he still needs to rally support, says Stefan Wagstyl



Setback for BJP's Advant...

by any surge in enthusiasm for Congress. Without such enthusiasm, Mr Rao and his party will find it difficult to carry out controversial policies - notably the economic liberalisation he started in 1991.

The appeal of Mr Rao's Congress party has worn thin nearly 50 years after it came to power as a nation-builder, leaving Indians looking for a new direction among their political leaders. Some have found it in the BJP's brand of Hindu nationalism, though, as the state polls show, others such as those who voted for the pop-



...but prime minister Rao emerges in a holder position

state of Mizoram.

Congress benefited from the anti-BJP vote mainly in the states where it was the only credible alternative - Himachal Pradesh and Madhya Pradesh, where Congress overturned BJP majorities, and Rajasthan, where Congress reinforced its position as the largest opposition party.

But in Uttar Pradesh, the most populous state and the heartland of north Indian politics, the anti-BJP vote was captured not by Congress but a powerful third force in the form of the alliance between the Samajwadi party and the Bahujan Samaj party, representing mainly the deprived lower castes. Congress won just 28 seats in the 425-member state assembly which it once dominated.

The BJP may be down but it is not out. It remains the single largest party in Uttar Pradesh with 176 seats. It retained control of Rajasthan and won Delhi, where state-level polls were held for the first time in 40 years.

Mr K R Malkani, the BJP's spokesman, says the party needs to broaden its support. He claims the BJP suffered because it was wrongly por-

trayed as a one-issue party committed to claiming the site of the Ayodhya mosque for a Hindu temple. "We have to explain ourselves better to the average man."

Many middle-class Indians have sympathy for the BJP because they see it as a vigorous alternative to an over-conservative, tired-looking Congress. One leading

businessman says: "If the BJP can develop a non-religious agenda, it could yet be the party of the future."

However, at least until the 1996 national elections, it is Congress which is in power. It will have opportunities for legislative action as early as today, when parliament meets for its winter session. It is already preparing the next tranche of its economic reforms for publication in the

1994-95 budget in February.

Mr Manmohan Singh, the reform-minded finance minister, has indicated the budget will bring further reductions in customs duties, tax reforms and measures to ease private companies' entry into insurance and other industries dominated by state enterprises. He may also further liberalise foreign exchange controls.

However, the political obstacles to further radical reform remain daunting. Congress generally is willing to accept economic liberalisation - such as customs duty cuts and incentives for exporters and foreign investors - but only if it can be achieved without too much political hardship.

But, with a few honourable exceptions, MPs are loathe to contemplate more radical measures - such as relaxing tough labour laws which prevent companies sacking workers and cutting jobs in the over-manned public sector, which absorbs about two-thirds of India's organised labour. As Mr P Chidambaram, a pro-reform MP and former commerce minister, says: "There is support for reform. But a critical mass of support is absent."

Mr Manmohan Singh believes that a pro-reform consensus is steadily growing both in Congress and in the country at large. Economic reform was not an issue in last month's state polls, not least because the BJP generally supports liberalisation. But Janata Dal and other parties of the left which have been strong critics of pro-market reform lured badly at the elections.

MPs have good reason to be wary of radical reform. In the mountain state of Himachal Pradesh, the outgoing BJP administration pursued exemplary pro-market economic reforms - including trimming state spending, cutting subsidies for apple farmers and introducing a no-work, no-pay rule for civil servants who went on strike (which they often did). The result was electoral disaster.

But Mr Chidambaram believes that support for reforms could grow with a stronger lead from New Delhi. Even cost-cutting in state-owned industry and other controversial measures are "possible", he says.

At the Confederation of Indian Industry, Mr Das agrees: "Reforms are on Manmohan Singh's agenda. I believe the prime minister will now let him get on with it."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Difficult education issue side-stepped

From Dr A P C Bruce

Sir, Your report on the expansion of student numbers in UK higher education does not provide an accurate account of its funding implications for the universities ("Student population reaches 1m", November 23). There is no sense in which the Committee of Vice Chancellors and Principals regards the current level of higher education funding as "adequate".

There has been a severe squeeze in the unit of funding over the past few years, with increased resources falling far short of the rapid growth in

student numbers. Among the most obvious consequences of this squeeze are a marked decline in the relative pay position of academic staff, a serious maintenance backlog and a general decline in the quality of the student experience. The fall in the unit of funding continues with the announcement on Tuesday that further annual "efficiency gains" of 4 per cent will be imposed in the next two financial years.

Constraints on public expenditure have also resulted in the government's decision to cap the student intake at present levels for a three year period.

However, on the basis of international comparisons, there is certainly no reason for complacency about current levels of participation in UK higher education. Without further sustained expansion, the aspirations of many potential students, including those coming up through the still-expanding further education sector, are unlikely to be met.

Increasing participation in higher education from 30 per cent to 40 per cent of the 18-19 age group would require additional funds in excess of £1bn a year. Further resources would also be needed to compensate

for years of under-investment. In present circumstances, funding at these levels might well require a direct contribution from the beneficiaries of higher education towards the cost of their tuition.

The CVCP regrets that the government has stepped away from this difficult issue in its Budget announcement and appears to be content to rest on what has been achieved so far.

A P C Bruce,
head of resources and funding,
CVCP,
29 Tavistock Square,
London WC1H 9EZ

Right that aspirations of Russia not endorsed

From Mr Viacheslav A Skryghin

Sir, The position you have taken with regard to Russia's self-proclaimed role as "peace-keeper" within the republics of the former Soviet Union in your article "Russia and its neighbours" (November 22) is commendable to me who live directly within Russia's sphere of influence.

While there is little question that Ukraine and Russia are culturally, linguistically and economically interrelated and that continuing such ties will be beneficial to both nations, it is also crucial that the international community recognises the existence of Russian proclivities to undermine stability

in the region. These proclivities are the result of Russia's attempt to regain its former superpower status and are evidenced by many of its recent policy statements, including that which your editorial endorses.

It is comforting to know that some of Russia's actions which attempt to shroud its inclination to dominate the affairs of sovereign nations are recognised as such by the international community and are appropriately not endorsed.

Viacheslav A Skryghin,
vice-president,
Ukrainian Financial Group,
15 Prozorova Street,
Kiev,
Ukraine 252034

Why provision of motorway service on M40 was delayed

From Mr Robert Key

Sir, The letter from Miss Pirie (November 26) highlights the absence of services on the M40. I would like to make clear that my department proposed three motorway service areas for the M40, intending to open them at about the same time as the road. All three schemes, however, provoked objections which led to lengthy public inquiries and substantial delays in provision. Planning clearance was eventually refused for one of the sites, but it was granted for the other two and construction is now under way; both are due to open next year.

In the meantime temporary facilities, open 24 hours a day, are signposted from the motorway at Junction 10 and between Junctions 13 and 15.

Following a commitment in the Citizen's Charter, future motorway service areas will be promoted by the private sector rather than the department. I understand that at least three planning applications for further service areas on the M40 are currently under consideration.

Robert Key,
minister for roads and traffic,
Department of Transport,
2 Marsham Street,
London SW1P 3EB

Unions will seek wage increases to counter 'damage' of Budget

From Mr Bill Morris

Sir, I am glad that, amid all the theatrical oohs and aahs which have greeted the chancellor's magic deficit disappearing tricks, your leader ("Mr Clarke shows his skills", December 1) has reminded us that this is a tough Budget. It will be particularly tough for the low paid, the unemployed and those struggling to survive with the backing of the tattered remains of our welfare state.

This has been no ordinary Budget to balance revenue and expenditure. It underlines the government's fundamental shift to indirect taxation aimed at allowing wealthier Tory supporters to enjoy a disproportionate share of the national cake.

The message is: if the wealthy don't need it, let's scrap it. If they do need particular services, let's find a way of ensuring they pay less than they can afford while others pay proportionately more of their income.

With three new taxes - insurance and airport taxes, and a threatened tax on motorway travel - combined with increased indirect taxation on petrol and cars, it is clear that living costs will rise in consequence. That means the poor will pay more, and for reduced services.

This strategy represents a clear attack on the interests of ordinary working people. Until it becomes possible to change

that strategy, trade unions will pursue their members' interests by seeking wage increases which take account of the damage the Budget will do to standards of living.

Bill Morris,
general secretary,
Transport and General Workers Union,
Transport House,
Smith Square,
Westminster,
London SW1P 3JB

From Mr Ken Cameron

Sir, In your Budget '93 special, you stated: "The projected public sector pay freeze on which all the figures are predicted remains a heroic assumption."

The chancellor said that pay increases for public sector staff would have to be paid for by greater efficiency.

The workload in the fire service has increased by 65 per cent. We are operating without the approved number of firefighters in post. For these people, and millions of others trying to deliver essential services to the community, heroism is a daily duty.

They deserve better than a further two years of pay restraint in order to rescue an incompetent government.

Ken Cameron,
general secretary,
Fire Brigades Union,
Bradley House,
69 Coombe Road,
Kingston Upon Thames,
Surrey KT2 7AE

We're pleased to announce our prophets for next year.

THE WORLD IN 1994

A prophecy can only ever be as reliable as the prophet who makes it. For 'The World in 1994' we have brought together over 50 of the most reliable analysts in the fields of economics,

sociology, industry, technology and politics. Read what they all have to say. It could help make 1994 a happy new year.

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
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Thursday December 2 1993

Russian democracy

On October 4, when forces loyal to President Boris Yeltsin were still battering the remains of the Russian parliament into submission, western governments were quick to express their support for him. They were right to do so, because Mr Yeltsin was clearly preferable to his opponents. Parliament had degenerated into a rabble, taking its lead from an alliance of communists and fascists. Mr Yeltsin at least offered some hope of coherent government. He also promised to make the people the final arbiters of the conflict.

This latter point was stressed in a solemn declaration issued by European leaders four days later. "We attach the utmost importance to the earliest possible holding of free and fair elections which will give the Russian people the possibility to express themselves clearly on their future and create conditions for the adoption of the required new constitution."

In the event Mr Yeltsin telephoned that process. He has called on the Russian people, in 10 days' time, both to elect a parliament and to adopt a constitution under which that parliament would serve. This involves a contradiction. Some opposition parties are campaigning not only against Mr Yeltsin's government but also against the draft constitution, which - modelled on that of the fifth French republic - gives the president very extensive powers. Were they to succeed in defeating the constitution, theoretically they would also invalidate their own election.

Official warning

Last week Mr Yeltsin seized on that contradiction (which is actually of his own making) to threaten his opponents with loss of their free air time for party political broadcasts if they continued to use it to attack the constitution, rather than explain their own programmes. This week Mr Vladimir Shumelko, first deputy prime minister and chairman of the commission organising the referendum, went further, demanding on the same grounds that two leading opposition parties be disqualified: outright and two centre ones be given an official warning. Evidently Mr Yeltsin and some of his aides are worried that the constitution may be defeated, or (more likely) that the 50 per cent

minimum turnout may not be reached. They should realise that the best way to ensure a good turnout is to have a lively debate, and that their attempts to interfere in the electoral process can be counterproductive. At least the main pro-government party, "Russia's Choice", realises this: its leaders hastened to explain, rather quaintly, that Mr Shumelko had spoken "only" in his official capacity, and not as a candidate of their party.

Misplaced scepticism

Mr Yeltsin and his advisers should also realise that their outbursts are prominently reported in the west, and contribute to a widespread western scepticism about the depth of their commitment to democracy and the "free and fair" quality of the current electoral process. That is unfortunate because the scepticism, especially on the latter point, is largely misplaced. What is surprising about the election campaign, given all the circumstances, is its freedom and vigour. In a perverse way Mr Yeltsin and Mr Shumelko have provided new evidence of this: opposition parties have ignored their warnings, and Mr Shumelko's call for their banning has been summarily rejected by the electoral commission.

Party political broadcasts have also been used for scathing attacks on the government, some of which would fall foul of libel laws, or indeed of anti-racist legislation, in many western countries. Opposition newspapers, most of which have been allowed to reappear after the brief clampdown imposed in October, are similarly outspoken. Only the most overtly racist, such as Dyen, remain banned. It is true that Russia's Choice is better financed than its competitors. But in which western democracy could that not be said of a strongly pro-business party?

Perfect formal democracy is a rare bird, very unlikely to be sighted in a country as large and hard to govern as Russia, which has no democratic tradition and is trying to come to terms simultaneously with the dissolution of its empire and the collapse of its economic system. All things considered, the process we are now witnessing is a much closer approximation to it than anyone had a right to expect.

Public sector pay freeze

Tuesday's Budget has set tough targets for UK public spending over the next three years. More than £15bn has been topped off general government expenditure for the next three years. The cumulative increase in spending between 1993-94 and 1995-96 will be held to less than 4 per cent, compared with a rise of almost 13 per cent in the six years from 1990-91. Mr Clarke and Mr Major are thus more ambitious in expenditure plans than Mrs Thatcher and her chancellors ever dared to be. In pursuing these targets, an important role will be played by a clampdown on public sector pay. For government departments, running costs will be held at this year's level of £20bn for the next three years. Provision for pay throughout the rest of the public sector has been set on a comparable basis. Providing it can be made to stick, this freeze is likely to make the largest contribution to the £5.7bn cut in public spending forecast for 1994-95.

The approach is at the centre of the continuing attack on waste and inefficiency in the public services, according to Mr Michael Portillo, the chief secretary. He believes that efficiency savings of 2 to 3 per cent a year can be found throughout the public sector. Some of this can be used to increase the pay of employees, though part must be ploughed back into the service itself.

This is a blunt weapon for improving the efficiency of public services. Yet it may be the only one left in the government's armoury. White-collar civil service numbers have changed little over the past 10 years. The number of total government employees is almost identical to that of 1979. And most health service managers have made little use of their greater freedom to reduce staff costs. Similar organisations in the private sector have made great improvements in efficiency in recent years, often driven by cuts in staff costs imposed during difficult times. The same approach is needed in the public sector.

Catch-up exercises

However, the experience of pay policies which apply only to the public sector suggests that some consequences may be less benign. If efficiency savings are not found

quickly enough, pay in the public sector tends to lag behind the private sector, making it harder to attract good people into the public services and undermining standards. These pressures have then invariably led to expensive catch-up exercises to restore comparability, just at the point that private sector settlements are tailing off and so putting extra pressure on companies to match the high headline pay increases awarded to the public sector.

This time it may be different. The framework for greater decentralisation of public sector pay determination is now largely in place. Some local authorities and health organisations have used their greater freedom to be flexible on pay and staffing. From next April, some government departments and the larger agencies will have responsibility for the pay of their staff. And the government appears to accept that extra money may have to be made available for groups such as the police, teachers and nurses, where efficiency savings are unlikely.

Sensible decisions

The introduction of accruals-based resource accounting for government departments will also give civil service managers the tools they lack to make sensible decisions about costs, resources and priorities. So too will the Treasury's relaxation of the annuality rules, which discourage managers from making savings by clawing back the money. But it must be asked whether public sector management systems are sufficiently well-developed or robust enough to meet the challenge they have been set. Enormous efficiency savings will be needed to compensate for a real fall in the pay bill of as much as 10 per cent over the next three years.

The cash-limiting of running costs is an excellent discipline in reining in public service costs. But earnings in general rise faster than prices over the medium term, even in periods ministers describe as "inflation-free". Holding the increase in cash limits so far below the rate of inflation risks an explosion, perhaps in 1995-96, with a general election in prospect. Ministers have set the right course, but they will need to take a little if they are to reach it.

What an absurd British institution Budget day is. The real Budget is not the chancellor's speech - which is a political showcase - but the Financial Statement and Budget Report, popularly known as "the Red Book". This is now 143 pages long. Yet it is issued only just before 5pm when the chancellor sits down in the House of Commons. And to let readers into a secret, the first editions of most newspapers have to be ready two or three hours later.

Thus it all turns into a great obstacle race, and a magnificent job is done in the circumstances. Editors congratulate their staffs; and the Treasury has even been known to congratulate editors. It is no doubt very British to turn a heavy-weight political and financial occasion into a sporting contest. But how absurd and how unnecessary.

A seriously unified Budget would be in two parts. The first would contain the main tax and spending decisions. The second, a couple of days later, would contain the detailed expenditure decisions and, if necessary, the more technical changes emanating from the Inland Revenue and Customs and Excise. Both would be issued at 9am. And if courtesy to the Commons meant that the latter body met in the morning on those days, it would do MPs no harm.

As usual I went to the House - not to witness a parliamentary occasion but because it gave me the chance of picking up my copy of the Red Book a few minutes earlier. What struck me from the question time exchanges before the Budget was how little debate there really is.

The Labour leader, John Smith, asked the prime minister why Britain's Budget deficit was worse than that of Japan, the US, Germany and seven other countries. John Major made no attempt to answer, but reeled out different facts.

As usual, unemployment and growth. The Opposition leader in turn ignored these and denounced "mismanagement" of the deficit. The Prime Minister then rather easily responded by asking what Labour would cut. No-one answered anyone else; nor was expected to. Ministers and their shadows are judged by how snappily they reel off prepared briefs, irrespective of the question asked. A European federal assembly could not be worse.

The best summary of the political economy of the Budget comes from the accompanying chart. What would the proverbial Rip Van Winkle, awakened from the late 1920's, make of it? He would, first, have to be told that the gap between gov-

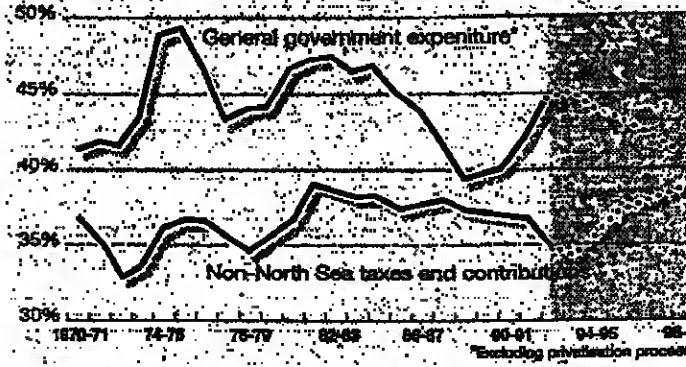
ECONOMIC VIEWPOINT

Now time for a post Budget notebook

By Samuel Brittan

UK government expenditure and revenue

Per cent of GDP (non-North Sea taxes and contributions as per cent of non-North Sea GDP)



General government expenditure (excluding privatisation proceeds)			
	1988-89	1990-91	1992-93
Central government expenditure	3,400	400	2,800
Local government expenditure	1,200	200	1,000
Financing requirements of nationalised industries	400	30	400
Public sector borrowing	1,200	2,500	1,500
Adjustment	300		
New capital expenditure	1,200	2,500	1,500
Cyclical social security	1,100	1,500	1,500
Capital expenditure on health	1,100	1,500	1,500
Accounting adjustments	400	0	500
Non-current government expenditure	1,200	2,500	1,500
Current government expenditure	2,200	1,500	1,300

Source: The Red Book

What of the principles of economic policy? There were none in the Budget speech; and I do not entirely blame Mr Clarke for avoiding doctrinal hostages to fortune. But there are none so theory-bound as those who think they are pragmatic; and it is a commentator's duty to look at the criteria for policy.

Three main planks can be discerned. There is short-term economic forecasting - which becomes more important every time a Chancellor tries to talk it down. Secondly, there is the Budget-balancing view of fiscal policy and, thirdly, a naïvely monetarist attitude to interest rates and inflation. The economic forecasts are still based on adding up obvious components of demand - all put into vol-

but slightly more pessimistic than, the average of the independents on both output and inflation.

None of this is much use, however. For when the forecasters have made the most harmful errors, they have usually erred together; and if the Treasury simply wants to show how near to the consensus it is, why bother to have an in-house team at all?

The policy doctrine in force is, however, the opposite of what might be inferred from the forecasting methods. Something very like the old Treasury view, which Churchill - to his later regret - advocated in the 1920s, prevails. This is that the object of fiscal policy is to balance the Budget and that the government cannot or should not stimulate demand and output by spending more or taxing less. Indeed, Mr Clarke has frequently said the upturn is not as vigorous as he would like, and then spoken in the next breath of the need to put the public finances in order - which means cutting both public and private spending. There is nothing peculiarly British in this combination of under-consumptionist forecasting and fiscal puritanism. It is a notable feature of IMF reports.

The Treasury now publishes variants, showing that with even slightly slower growth than envisaged, public sector borrowing would be much higher. But of the policy implications - whether to tighten for fiscal reasons or lessen to stimulate the economy - we are not told a single thing.

Finally, there is the view that the Bank of England has a special hot line to inflation which it can fix by shifting interest rates without any intermediate effect on economic activity. I used to shudder at this view, as a caricature of monetarism, which discredited what was valuable in that doctrine. But this caricature is very close to the words of the Budget speech.

A similar black magic view is held by many of those now advocating an independent Bank of England as a panacea - as if the Bank could directly eliminate inflation without affecting the rest of the economy. A better reason for Bank independence is to make that institution accountable, which it is not at present.

As Adam Smith said, there is a lot of ruin in a nation. Whatever the headline doctrine, the Bank of England tries to manage nominal demand and does not just drive for zero inflation at all costs. There are also more self-correcting mechanisms in the world and British economies than forecasters envisage. Moreover, there are political inhibitions on fiscal reticence.

But I still worry that if there were a Great Depression - or even a prolonged stagnation - that neither the Treasury model, nor the forecasting panel would expect it; and that the policy would be somewhere between inadequate and perverse.

Fatal attraction to wrong decisions

Tony Jackson on a lack of luck and judgment at Ferranti

Ferranti's final collapse into receivership yesterday raises some depressingly familiar questions. The company's history is one of technological triumph dragged down by commercial incompetence. Not all the blame lies with management. In the past 20 years the UK government's handling of Ferranti has veered between lame-duck subvention and dogmatic faith in competition, with little space for market solutions in between.

There is a kind of melancholy duty about recalling Ferranti's record in the field of innovation. In the early 1960s it developed the Atlas computer, which challenged the largest machines available from IBM. In the same decade, it was one of the pioneers in numerical controls for machine tools. In the 1970s it developed the first European microprocessor, and in the early 1980s took a world lead in so-called ASIC (application-specific integrated circuit) chips, sold to Black & Decker for drills, Sinclair for computers and Leica for cameras.

All of this came to nothing. The

computer business was sold to the British computer maker ICL, now part of Fujitsu of Japan. The technology for numerically controlled machine tools now rests in the hands of Japanese, American and German manufacturers. ASIC chips were eventually abandoned, on the grounds that the required investment was too big and the likely return too small.

The obvious question is what Ferranti could or should have done instead. It is hard not to feel a twinge of sympathy for any company which loses its nerve after a series of strategic reverses. Indeed, to be risk-averse in those circumstances may be no more than sober realism. But one conclusion stands out. If a company cannot afford the going rate of investment in its industry, or no longer has the stomach to bet the ranch on a new technology, it is in the interests of employees, shareholders and industrial efficiency that it should resign its independence while the going is good.

Ferranti did the reverse. Its catastrophic acquisition of International Signal and Control in 1987 was the hammer-blow from which the company never recovered. It may seem unfair to generalise on the basis of ISC, a company so bizarrely fraudu-

The essential point is that while ISC finished Ferranti off, the original business was sliding downhill on its own account

lent as to deserve a place in the commercial history of the 20th century. Even at the time, though, it was apparent that Ferranti was taking a risk of a different kind. Determined to retain its independence, it took on a company of such notorious secrecy and opacity that no sane competitor would risk a hostile bid for the combined entity.

The essential point is that while ISC finished Ferranti off, the original business was sliding downhill on its own account. Even as the fraud unfolded in the late 1980s, Ferranti itself was periodically in loss. Its technological ambitions were pathetically diminished. Amid the world revolution in telecommunications, Ferranti's answer was to invest small sums in low-cost telepoint technology, which in the UK has already proved a dead loss.

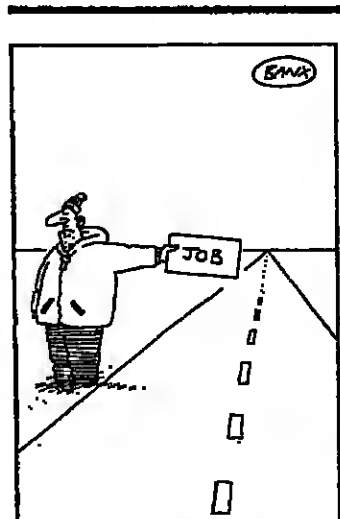
Long before the ISC debacle, Ferranti had taken another fatal strategic decision. If the risks and rewards did not stack up in the world of commercial competition, the answer was to seek safe haven in the cost-plus, nationalistic world of defence. This left the company open to the risk that defence spending would turn down, as happened after the collapse of the old Soviet Union. It also exposed it to another serious risk: that fashions and ideology would change in British industrial policy.

Having been bailed out with tax-

payers' money in 1975, Ferranti thus found itself 10 years later at the mercy of a new ideology which said that if Britain was to depend on domestic suppliers of defence equipment, it would at least guarantee competition between those suppliers. It was in vain for Lord Weinstock of GEC to point out to the Ministry of Defence that companies like Ferranti and Plessey were no longer big enough to carry the burden of research and technology in the interests of competition; they had to be left to fend for themselves.

The irony thus is that Ferranti could probably not have surrendered its independence had it wanted to: not at any rate in the mid-1980s, when it really mattered. The UK government has since reversed its stance, so that GEC has bought the essential bits of Plessey and will doubtless have official blessing to snap up the remaining defence bits of Ferranti from the receivers. If business, like war, needs luck as well as judgment, poor old Ferranti has had the worst of both.

OBSERVER



spotted by a visiting Brazilian in a posh Bangkok hotel. He is now, according to the Bangkok government, being kicked out and sent home.

Battering Ramsden

There are those who think that Harry Ramsden's is the Coca-Cola of the world fish and chip industry because its success is based on a secret recipe for its batter - unchanged since Harry opened his first chippie in Leeds in 1928. Hence there might be some

concern about the news that Ramsden's - which sells over 2,300 tons of chips and 940 tons of haddock in its eight shops - is putting its name to a new type of batter developed for one of United Biscuits' frozen food businesses. However, John Barnes, Harry Ramsden's chairman, reassures Observer that his secret is safe. But if he's doing so well, why get into bed with a potential rival? "Two million packets of frozen fish sold in supermarkets every year with our name on them, that's why," says Barnes, who sounds like a Yorkshireman - even if he doesn't speak like one.

Timetable

Those who set deadlines at Barclays have often come to regret it. Remember the slogan of Sir John Quinlan's era - "Number One by '91"? The ensuing burst of poor lending led to huge bad loan provisions, Sir John's departure as chairman, and the management ructions that have since dogged the bank. Now we have a fresh date, Martin Taylor, the youthful new chief executive, says in an interview with Banking World that he has given himself two years after he starts full time in January to make an impact. "If at the end of two years - and two years is a deliberate timeframe - the business

has no direction, then that will be my fault," he says. "Things will be fixed by '96?"

Rising sap

George Bush's honorary knighthood may cement British relations with Texas - Mark Thatcher, Steve Wyatt and so on - but Ann Richards, the salty Democratic governor of the Lone Star State, shows much less respect for the former first family.

She could well battle against the ex-president's oldest son, George Walker Bush Jr, in next year's governor's race. Getting her knives in early, she has started referring to junior as "shrub".

Nice try

One City figure who did not have a particularly good Budget was Lehman Brothers' Tony Underwood, one of the stars of England's All Blacks last Saturday. Having spent his pre-Budget hunch-hour warming up in a local gym, England's dashing winger was about to return to his post on Lehman's equities desk in time to hear the chancellor speak, when he found that someone had run off in his shoes. Worse still, the person who had "borrowed" them turned out to be a Kiwi.

كتاب الالهي

■ Interest rate cut expected ■ Clarke warns of public sector pay limits

Share and gilt prices in Britain jump on post-budget confidence

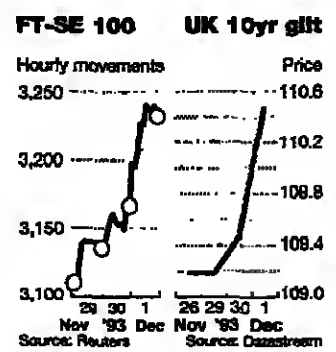
By Peter Marsh and Philip Stephens in London

UK shares and government securities rose strongly yesterday on hopes that this week's budget would help the British recovery without stoking inflation and that a cut in interest rates was on the way.

The London equity and gilt-edged markets recorded their biggest gains since sterling left the European exchange rate mechanism in September 1992 as investors gave a vote of confidence to the spending cuts and tax rises announced on Tuesday by Mr Kenneth Clarke, chancellor of the exchequer.

The FTSE 100 index jumped 63.3 to 3,233.2, a new record high, while long-dated gilts gained nearly 2 points helped by large purchases from UK institutions and investors in continental Europe and the US.

The optimistic sentiment was helped by comments from Mr Clarke who said the British economy was strong enough to withstand the tax increases and spending cuts.



He told journalists that the growth forecast of 2.5 per cent next year was "modest and realistic" and that measures to bring down the 1994-95 fiscal deficit from an expected \$40bn to \$38bn (\$54bn) would help business and consumer confidence.

Although Mr Clarke did not encourage expectations he would allow a cut in banks' base interest rates from 5.5 per cent, the pound fell on speculation that such a move could come soon, perhaps before Christmas.

Sterling closed last night in London at DM2.5425, down half a

pfennig, while it lost nearly half a cent to finish at \$1.4305.

Mr Clarke yesterday called for a permanent break with the British postwar pay bargaining culture as he warned that 5m public sector workers could expect only "very modest" increases in the next three years.

Mr Clarke said higher pay awards in the public sector could only be financed by efficiency savings. He offered a strong hint that this would mean a ceiling on pay increases for most public sector workers of 1 or 2 per cent a year. But other cabinet ministers suggested that workers in "politically sensitive" sectors such as the police, nurses and teachers might expect more.

Mr Clarke's budget package continued to draw wide support from both the right and left of the ruling Conservative party, despite rumblings among some rank-and-file MPs about the impact of planned defence cuts.

He moved swiftly to counter angry opposition charges that deep cuts in benefits marked the beginning of an assault on the welfare state.

Brushing aside the ambitions of some of his rightwing colleagues to shrink the size of the public sector, Mr Clarke said the basic state pension would remain a permanent fixture.

Mr Clarke's tough line on pay came amid mounting anger among unions that relatively low paid workers in the public sector would bear the brunt of the budget's unprecedented squeeze on government spending.

Overall, the cuts in the spending targets for the next three years were judged by Mr Andrew Dilnot, director of the Institute for Fiscal Studies, to represent a far tougher policy than anything achieved in the 1980s.

But Mr Clarke insisted that low inflation had transformed the environment in which wage bargaining would take place and said that those in work had to take account of the interests of almost 3m people who were unemployed.

'Tougher than Thatcher', Page 10
Editorial Comment, Page 15
Government bonds, Page 22
London shares, Page 33

THE LEX COLUMN

Jazzing up the market

It is strange that a budget lauded for being tougher than expected should drive UK equities into such a frenzy.

Worries about an attack on their tax privileges have kept pension funds on the sidelines, but it is difficult to believe that their return was responsible for yesterday's 2 per cent rise in the FT-SE 100 index. Investors caught short of stock going into the budget are more likely culprits, in which case equities might now settle back.

Relief that budgetary balance is being pursued through lower spending rather than higher taxes is certainly not a cause for celebration on the scale seen yesterday. Either way the impact will be deflationary. With the public sector constrained and tax rises slowly squeezing consumers, the corporate sector will have to perform exceptionally well for the chancellor's growth targets to be met. There is always scope for another cut in interest rates, but results from GEC and Argyl are reminders that companies are hardly brimming with confidence.

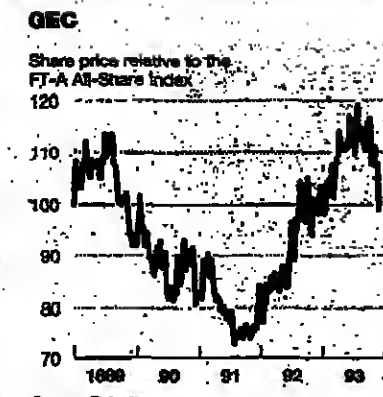
The upward march of gilts looks more convincing. The position of gilts relative to overseas markets limits the scope for progress ahead of next week's £3bn auction. The yield differential between 10-year gilts and German bunds is already close to its recent limit. If the chancellor can maintain his new-found credibility, though, international investors will come to accept a smaller premium. Lower gilt yields could then provide some support for equities, too.

GEC
A profits warning is hardly the ideal end to the good run which GEC's shares have enjoyed over the past year. Some of the mix of reasons offered are perhaps understandable - particularly poor conditions in the cables market and difficulties with customised chips. Others, such as cost overruns on development projects, are hardly the kind of problem normally associated with Lord Weinstock.

Still, in the longer term there are grounds for optimism. With projects like the European Fighter Aircraft in development, defence margins are being squeezed now but may recover, despite shorter production runs and potential postponements. In power systems, technology may also allow contracts to be won at higher margins than in the past, particularly with strong worldwide demand for gas turbines and fast trains.

The UK government's oft-repeated

FT-SE Index: 3233.2 (+66.3)



assertion that it wants private help with infrastructure projects may also finally start to move now that Sir Alastair Morton is starting to move. Since GEC seems keen to use part of its cash, projects like the Channel tunnel rail link might well be attractive. Forming a structure which would encourage the company to fund the refurbishment of the West Coast main line might be harder, even if an order for GEC Alsthom trains were to follow. Meanwhile, steering the company through the world recession towards such prospects is a task equal to the management's traditional talents.

Argyl

Argyl's decision to depreciate its freehold assets and scale back its store opening programme helps clarify some of the uncertainties bedevilling the food retailing sector. Some other grocers are likely to follow Argyl's lead, ensuring their stated earnings will still - or even fall - over the following few years. The market had implicitly assumed as much and confirmation could even come as a relief. Attention may now switch to other valuation criteria, which suggest food retailers possess more value than reflected in their stock market worth. It certainly appears anomalous that Argyl yields 5.5 per cent while it boasts such generous dividend cover.

Argyl has not yet accepted the logical conclusion that it should cut its opening programme still further and return more cash to shareholders. Such a volte face would perhaps be too great coming just a year after it committed itself to accelerating capital spending. Were it any smaller, that

Ferranti
Those Ferranti shareholders who thought Mr Eugene Anderson was bluffing now know differently. The company's chief executive warned that Ferranti would go down if GEC's bid failed. Now GEC has pulled out, presumably because the due diligence process found something nasty in the woodshed. GEC investors who thought the bid more than reflected Ferranti's value may well be relieved. Lord Weinstock can now pick up interesting pieces at a one-man auction. And potential defence entrepreneurs might ponder Ferranti's folly of paying good money for hush-hush businesses when asking hard questions is considered bad manners.

Russia's Choice opposes call for ban

By John Lloyd and Dmitri Volkov in Moscow

Russia's Choice, the leading reformist group in the Russian election campaign, has sharply criticised Mr Vladimir Shumeiko, the first deputy prime minister, for calling for the banning of the Communist and other parties over their attacks on the draft constitution.

In doing so, the group has distanced itself for the first time from Mr Boris Yeltsin, the Russian president, who had threatened to deprive parties of TV time for criticising the draft.

The move, which puts Russia's Choice in the same camp as other conservative and reformist parties - both in opposing a ban and the loss of airtime - shows that on some issues it has decided it is better to support democratic

practice than support the president.

Meanwhile the latest poll, by the Memele organisation, showed both main reformist parties, Russia's Choice and the Yabloko group of Mr Grigory Yavlinsky, losing ground compared to their position in mid-November. The poll also showed a surge of support for the neo-fascist Liberal Democratic party of Mr Vladimir Zhirinovskiy. However, the poll recorded nearly 50 per cent of respondents as undecided.

Publication of further polls is banned from today until election day, December 12.

Mr Shumeiko's demand that the Communist, Democratic and possibly other parties be banned for their criticism has been summarily rejected by the electoral commission and by the arbitration court which pronounces on

political balance in the media.

Mr Shumeiko's call, which had electrified the pre-election atmosphere, followed a warning by Mr Yeltsin of the loss of the free broadcasting opportunities granted to all 13 groups contesting the election. Mr Yeltsin had also proposed that the two chambers of parliament meet in two buildings far apart - a proposal also criticised by Russia's Choice as hindering efficiency.

Mr Yegor Gaidar, first deputy prime minister, who heads the group, said on Tuesday night that criticism of the constitution was no grounds for banning a party. Mr Gennady Burbulis - the former close aide to Mr Yeltsin and another leader of Russia's Choice, yesterday apologised for Mr Shumeiko, condemned his call and said it did not reflect the Russia's Choice position.

Mr Gary Kasparov, the chess champion, who is a Russia's Choice candidate, went further, saying that "the whole group will suffer for Mr Shumeiko's action, which he said was 'irresponsibility bordering on provocation'".

Mr Burbulis also objected to Mr Yeltsin's choice of the former Comecon building as a site for the State Duma, or lower house of the parliament, and to the building now housing the government press centre as the site of the Federation Council, or upper chamber.

He suggested instead that it be housed within the Kremlin complex itself, or in the White House - the former Supreme Soviet building, now being restored after its siege by the army on October 4.

Editorial Comment, Page 15

China plans overhaul of tax system

Continued from Page 1

usually would be brought into line with the corporate rate.

● The imposition of a value added tax in line with international practice. VAT will be applied at a uniform rate of 17 per cent on all goods in circulation, but an additional excise will also be levied on luxury items such as cigarettes, alcohol and beauty products, along with gas and petrol.

● Personal income taxes are to be overhauled to introduce a uniform system that will apply to foreigners, Chinese citizens and a category described as "private entrepreneurs". Nine tax rates

are to be imposed ranging from 5 per cent on a base income of 800 yuan (\$140) a month up to 45 per cent on higher incomes.

● Special taxes will be levied on the extractive industries such as the mining of ferrous and non-ferrous metals, and what are described as "non-metallic deposits". This will be in addition to VAT.

● Charges on property transactions will also be levied, along with taxes on stock exchange dealings, inheritances and insurance. Tax laws dealing with Chinese and foreigners will be unified under a "unified personal income tax law".

Mr Zhang sought to reassure

foreign investors that their tax advantages would be preserved under the new regime, but he did not go into detail.

China faces enormous difficulties collecting taxes in an economy undergoing rapid transformation. The central government lacks the mechanisms and manpower required to impose a strict regime. Another problem is a shortage of accountants.

Tax avoidance and evasion is widespread. Competition between the centre and provinces in tax collection - the two are often engaged in a fierce struggle for a share of revenues - is another factor bedevilling efforts to bolster central government coffers.

Low rise for insurance staff

Continued from Page 1

continuing reductions in inflationary pressure.

Meanwhile, industrial output figures suggested that the past year's decline is slowing. Production fell a provisional 0.4 per cent during October, according to the economics ministry.

Combined figures for September and October, a measure used to track short-term fluctuations, showed production up 1 per cent on July and August. Only consumer goods and food and luxury products registered declines.

FT WORLD WEATHER

Europe today

A southerly flow between low pressure over Iceland and high pressure over the northern CIS will push wintry conditions further east. Freezing rain and snow will fall in Germany, Denmark, southern Sweden and Norway. Winds will increase to gale force on the Norwegian coast. The British Isles will be mainly cloudy with rain in the north. France and Spain will be rather cloudy and dry with sunny spells in coastal areas. Low pressure between Sardinia and Sicily will cause heavy rain in southern Italy. Elsewhere around the low pressure zone, lighter showers will fall. The Alps and the Balkans will be generally dry with sunny intervals but fog will persist in the valleys, especially in western parts. Most of the CIS will be cloudy and mainly dry.

Five-day forecast

Warm air will continue to push wintry conditions further east. During the weekend, most of north-eastern Europe will have been unsettled with significantly higher temperatures. High pressure will build during the weekend from the British Isles to the Balkans resulting in decreasing winds. Persistent low pressure near Sicily will cause heavy rainfall in southern Italy.

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	37	Cardiff	11	Frankfurt	11	Malta	17
Accra	31	Chicago	0	Geneva	5	Manchester	11
Algiers	16	Cologne	2	Glasgow	5	Paris	11
Amsterdam	7	Dakar	23	Hamburg	5	Rome	14
Atlanta	14	Dallas	33	Helsinki	5	S. Frisco	18
B. Aires	23	Dhaka	26	Hong Kong	23	Seoul	5
Bangkok	24	Dubai	27	Honolulu	27	Singapore	29
Barcelona	15	Edinburgh	19	Istanbul	12	Stockholm	1
Beijing	4	Faro	19	Jersey	9	Strasbourg	4
				Karachi	32	Taipei	22
				Kuwait	19	Tokyo	14
				L. Angeles	21	Toronto	15
				Las Palmas	21	Tunis	15
				Lima	23	Vancouver	7
				Lisbon	17	Venice	7
				London	12	Warsaw	-1
				Luxembourg	1	Washington	11
				Lyon	15	Wellington	12
				Madrid	15	Winnipeg	-5
				Manila	26	Zurich	0
				Moscow	16		
				Perth	16		
				Peking	16		
				Rangoon	16		
				Reykjavik	16		

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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Without us, Toyota wouldn't be the car in front.

Designing the fuel system for Japan's new front runner, the Toyota Mark II, meant satisfying today's stringent demands for crash protection, weight reduction and corrosion resistance. It was a task Toyota technology took in its stride. But one major hurdle still had to be cleared - interconnecting the components within the highly complex system.

Bundy rose to the challenge, drawing on a wealth of experience in quick connect technology in its design centres in Japan, Europe and the USA. In developing an advanced range of its Huron™ quick connectors with guaranteed sealing integrity, Bundy more than satisfied Toyota's requirements. Now Toyota is counting on Bundy for more of the right connections.

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مكتبة الامير

Argentine unit sold by Eni arm

AgipPetroli, the petroleum distribution arm of Italy's state-owned Eni energy and chemicals group, has sold its Argentine operation to local buyers for about L120bn (\$70m).

The deal is part of a drive to dispose of non-core activities and raise money ahead of privatisation plans for Eni's oil and gas operations by the end of 1995.

AgipArgentina is being bought by Yacimientos Petroliferos Fiscales, the recently privatised Argentine state oil group which has more than 50 per cent of the local petroleum market. AgipArgentina, created in 1960, specialises in bottling and distributing liquefied natural gas and has about 700 employees with a market share of about 15 per cent.

The sale, which follows that of AgipPetroli's Steuart Petroleum subsidiary in the US this year, is part of a plan to focus on markets in Europe and south-east Asia. However, Agip will remain active in Argentina in the lubricants sector.

dea, where Renault transferred control to local management last year, did better, with a 7 per cent margin on sales of \$1bn.

Sales across the industry are levelling off after their heady explosion following economic stabilisation in 1991. Although analysts are confident growth will remain steady in the coming years, Argentina is unlikely to repeat the days of the 1960s when it had 24 car manufacturers.

Companies and government both say Argentina cannot compete with Brazil's lower cost, high-volume car makers. They hope instead that Argentina can attract investments in more sophisticated design and component niches as well as volume production.

However, for that to happen, the industry will need a shake-up in management, a big reduction in costs, more investment and more training to raise productivity. And productivity will first have to rise to Brazil's levels and then to world levels if the industry is to survive the planned elimination of import protection in 2000.

Production line push: Domestic demand for new cars is expected to remain strong

John Barham
examines the
recent revival
in the industry
despite low
levels of
investment
and profit
return

per cent a year to the end of the decade, should boost sales further.

However, Argentina, a country of only 32m people, is not the main objective of the manufacturers. The great prize is privileged access to the much bigger Brazilian market through the Mercosur common market, that takes in Paraguay and Uruguay as well as Argentina and Brazil.

Mr Alan Acosta, an analyst at Baring Securities in Argentina, said: "The size of the combined Mercosur market is estimated to be about 1.5m units a year and is expected to

grow to 3m by the year 2000".
Trade in cars and parts
between Brazil and Argentina
was worth about \$1bn last

Both governments require that trade be balanced. Companies based in both countries, like Autolatina, the company that manages Ford and Volkswagen in Brazil and Argentina, can meet this requirement relatively easily.

But Brazil-based GM lacks a foothold in Argentina while Ciadea has no operations in Brazil. GM, which exported about 13,500 pick-ups and small cars to Argentina last year, has

trouble balancing this with imports of Ciadea's cars and vans. Building pick-ups in Argentina with Ciadea and shipping them to Brazil will make it easier to balance trade.

The government also hopes increased competition will help the local car industry to shape up. It is the only large industrial sector still benefiting from significant import barriers and will retain this protection until the end of the decade.

As a result, the industry's costs are high and investment has been low. Despite 1992

sales of \$5.09bn, the industry's trade association Adefa says investments were only about \$140m.

It puts investments this year at \$240m. Sevel, a locally-owned company which dominates the market with Fiats and Peugeots made under licence, has invested only \$160m in 1992-93, despite sales of \$1.38bn in the nine months to September.

Profits are thin as well. Sevel, one of Argentina's two quoted car companies, earned \$52.6m to September, a margin of just 3.8 per cent over sales. However, performance at Cia-

Attributable earnings for the six months ended 30 September 1993 increased by 8 per cent to R259 million (271 cents per share) from R261 million (275 cents per share) for the corresponding six months of 1992. Equally accounted earnings of R1 276 million (349 cents per share) were 16 per cent higher than last year. These improvements were due largely to increased earnings from diamond and gold interests, including the realisation of surpluses on certain gold investments, partially offset by reduced contributions from other mining interests. The interim dividend was increased by 5.8 per cent from 90 cents to 95 cents per share.

Income from investments increased by 8 per cent to R890 million mainly as a result of higher dividend income from gold mining interests which comprised 34 per cent (1992: 27 per cent) of investment income. Higher dividends from diamond interests were more than offset by a fall in dividends from platinum and base metal investments. For the South African gold industry, in the first six months of 1993 the average spot gold price increased by 11 per cent to R35 034 per kilogram over the same period in 1992 and gold production increased marginally as a result of an improvement in the average grade of ore mined. Accordingly, assisted by continuing cost containment measures, gold industry earnings improved compared with the half year to June 1992.

Trading income decreased by 12 per cent to R201 million from R229 million as a result of the decline in the operating profit of Anglo American Coal Corporation (Amcoac), a 51.8 per cent subsidiary. This decline was caused by a further softening in US dollar export prices and, notwithstanding the higher volume of export sales, the weaker rand/US dollar exchange rate, the containment of working costs and improved profit on higher sales to Eskom. A surplus on realisation of investments of R68 million (1992: R11 million) was generated by the sale by Anglo American Gold Investment Company (Amgold), a 50.5 per cent subsidiary, of certain gold investments which are being replaced by shares in longer life gold mines. Other net income declined from R47 million to R19 million as a result of lower net interest and net fee income, partially offset by a further reduction in prospecting costs. Taxation fell by R29 million to R121 million largely because of Amcoac's reduced profits, while outside shareholders' interest in net income increased by R31 million to R238 million reflecting their share of Amgold's improved dividend income and surpluses on realisation of investments. Accordingly attributable earnings increased by 5 per cent to R629 million.

Retained earnings of associates, which are transferred to non-distributable reserves, rose by 24 per cent to R647 million. Earnings from diamond interests which are experiencing better trading conditions were a major component of this increase, while there were also improved earnings from certain industrial, financial services, and offshore associates. As a result, equity accounted for a 16 per cent hike higher than for the comparative period.

The R115 million extraordinary surplus (1992: R19 million deficit) relates almost entirely to the Group's share of extraordinary items of a number of its associates.

Net asset value per share has increased by 33% to 17 242 cents per share from 12 994 at 30 September 1992.

The reorganisation of the Corporation's international assets was the major feature in the last six months. The welcome re-entry of South Africa into the world community made it possible to establish Anglo American and Minero hold their interests around the world.

The Corporation has transferred substantially all of its international investments – so have its associates who held participations in these investments – so that these are now consolidated as predominantly wholly owned or controlled (including jointly controlled) business groupings in the enlarged Minicor which has net assets of US \$5.5 billion. This consolidation under Minicor will eliminate unnecessary duplication and inefficiencies, and provide a structure and locus which will bring benefit to all Minicor shareholders, including the Corporation and its associates. A technical services agreement will ensure that the wide ranging and in-depth technical experience that the Corporation has developed over the years will be available to Minicor, and that the Corporation's employees will continue to have significant international exposure.

The investments which the Corporation itself transferred were valued at US\$791 million for the purposes of the transaction and were exchanged for approximately 30.2 million new Minorco shares and approximately 64 per cent of Minorco's African assets. The Group's consolidated shareholding in Minorco has been increased from 39.3 per cent to 45.8 per cent of Minorco's enlarged share capital, of which 2.7 per cent is held by Amgold, while the public will continue to hold some 15 per cent of the enlarged Minorco. The transaction, which took place in the second six

(R million)	Six months ended 30.9.93	Six months ended 30.9.92	Year ended 31.3.93
Net income			
- Investments	690	641	1 466
- trading	201	239	484
- surplus on realisation of investments	68	11	46
- other	19	47	124
Net income before taxation	978	938	2 120
Taxation	121	150	266
Net income after taxation	857	778	1 854
Attributable to outside shareholders	228	197	436
Attributable earnings before abnormal item	629	581	1 418
Abnormal item	-	-	114
Attributable earnings after abnormal item	629	581	1 532
Retained earnings of associated companies	647	523	929
Equity accounted earnings	1 276	1 104	2 461
Extraordinary items	113	(19)	171
Earnings after extraordinary items	1 389	1 085	2 390
Transfer to non-distributable reserve	771	503	902
Available for distribution	618	580	1 488
Dividends	221	209	801
Retained earnings	397	371	687
Earnings per share - cents			
- attributable earnings			
- before abnormal item	271	251	611
- after abnormal item	271	251	660
- equity accounted earnings	549	476	1 060
Dividends per share - cents	95	90	345
Dividend cover			
- attributable earnings			
- before abnormal item	2.85	2.79	1.77
- after abnormal item	2.85	2.79	1.91
- equity accounted earnings	5.78	5.29	3.07

(R million)	At 30.9.93	At 30.9.92	At 31.3.93
Shareholders' equity	19 558	17 510	18 304
Outside shareholders' interests			
In subsidiary companies	2 244	1 990	2 230
Deferred tax benefit	830	970	836
Loans from associated companies and others	2 821	1 954	1 711
Other liabilities	1 689	1 456	1 811
	27 142	23 880	24 692
Represented by:			
Investments	19 044	16 693	17 811
Fixed assets	3 946	3 563	3 835
Inventories and accounts receivable	1 205	1 238	1 475
Deposits and cash	2 947	2 386	1 771
	27 142	23 880	24 692
Number of shares in issue - millions	232	232	232
Net asset value per share - cents	17 242	12 994	15 392

(After providing for dividend and based on the market value of listed investments at 30 September 1993 and the Directors' valuation of unlisted investments at 31 March 1993).

Dividend No. 115 of 95 cents per share has been declared payable on Friday 14 January 1994 to shareholders registered at the close of business on Friday 17 December 1993. The register of members will be closed from Saturday 18 December 1993 to Friday 24 December 1993 inclusive. The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the Corporation and its transfer secretaries.

Registered Office.
44 Main Street
Lewiston, Maine 04240.

The full interim report has been posted to shareholders and is available from Consolidated Share Registrars, 1st Floor, Edura, 40 Commissioner Street, Johannesburg 2001 (P.O. Box 61051, Marshalltown 2107) and from the Corporation's London office.

London office:
19 Charterhouse Street
London EC1N 6DZ

MONTHLY AVERAGES OF STOCK INDICES

	November	October	September	August
FT-SE Actuaries Index	3111.6	3126.1	3028.1	3019.3
100 Index	3456.2	3480.1	3450.2	3441.3
Mid 250	1550.7	1559.8	1517.8	1513.8
350 Share	1537.23	1548.15	1528.81	1514.88
Industrial Group	1643.34	1653.57	1623.45	1614.88
500 Share	1192.41	1202.11	1130.84	1130.74
Financial Group	1535.11	1544.81	1505.08	1488.55
All-Share	1348.68	1358.43	1279.00	1284.68
Eurostoxx 100	1414.20	1412.29	1358.56	1385.85
Eurostoxx 200				
FT Indices				
Government Securities	103.12	102.80	101.97	101.35
Fixed Interest	123.87	124.22	123.75	122.70
Ordinary	2357.9	2363.6	2348.4	2371.0
Gold Mines	236.5	210.2	171.2	235.5
SEAG Bangers	25.057	32.100	29.485	35.713
Highest Nov close				
Lowest Nov close				
FT-SE 100	3165.9 (20th)		3067.2 (24th)	
FT-SE Mid 250	3522.3 (2nd)		3416.5 (15th)	
FT-SE A 350	1577.5 (1st)		1530.9 (24th)	
FT-A All-Share	1562.30 (2nd)		1515.21 (24th)	
Ordinary	2418.5 (30th)		2325.3 (8th)	

International Bank for Reconstruction and Development

U.S. \$250,000,000

U.S. Dollar Floating Rate

Notes due February 1994

For the interest period 30th November, 1993 to 28th February, 1994 the Notes will carry an interest rate of 3.51484% per annum with a coupon amount of U.S. \$87.57 per U.S. \$100,000 Note, payable on 28th February, 1994.

Bankers Trust Company, London Agent Bank

REUTERS 1000 Financial Data Service directly on your PC for only USD 185.00 per month.

Reuters 1000 Financial Data Service, the award winning pan-European financial information service, is now available directly on your PC. This genuine Reuters service, carried on CNTEXT, is the leading source of financial information of its kind. No need for costly modem connections - only a CNN tv signal. See for yourself - contact hyperCOM for further information about this new exciting Reuters on-line 24 hr service. Fax +45 45 87 87 73 or watch CNTEXT pages 790ff.

INTERNATIONAL COMPANIES AND FINANCE

US groups in PC/TV link

By Louise Kehoe in San Francisco

Intel and General Instrument of the US have jointly developed a new high-speed communications device linking personal computers to cable TV networks to provide a broad array of information services.

The technology can transform a cable TV network into a data pipeline to the home, delivering information 1,000 times faster than via standard telephone lines, the companies said.

The development is the latest evidence of the rapid convergence of computer, communications and consumer electronics technologies.

Intel is the world's biggest maker of computer chips and General Instrument is a leading designer of TV set-top devices for cable TV systems.

Both companies are also

developing technologies that will upgrade television sets so they become terminals for interactive information services but personal computers are more likely to lead the way toward broad use of home information services, the companies said.

"The much touted convergence of high-speed communications and computing will intersect at the PC long before anywhere else," said Mr. Andrew Grova, Intel's chief executive.

Approximately 24m US households now own at least one PC, while 60m US homes are linked to cable TV networks.

"This breakthrough could open up a vast new market of home PC-based on-line services that cable system operators could provide with minimal capital investment," said Mr. Daniel F. Akerson, chairman

and chief executive of General Instrument.

Two leading cable system operators, Comcast and Viacom international, are planning to field-test the technology next year. America On-Line and Prodigy, two leading on-line information service providers, said they would participate in the trials.

The Viacom test will take place in Castro Valley, California, where 500 homes will initially be provided with modems to link PCs to on-line information services, on-line games, and software distribution. Details of the Comcast trial were not available.

Further blurring the lines between television and computer services, America On-Line said it would also team up with General Instrument to develop services for interactive television in 1994.

AT&T to cut workforce in long-distance business

By Martin Dickson in New York

American Telephone & Telegraph, the US telecommunications group, yesterday confirmed it needed to cut jobs in its consumer long-distance business, where it faces strong competition from rivals such as MCI Communications.

In a separate move, the company said it had signed a licensing agreement with All China Marketing Research, a subsidiary of the Chinese government's statistical bureau, to commercialise and market worldwide a database containing information on more than 400,000 Chinese companies.

Responding to reports that it could be planning to cut several thousand jobs in its consumer long-distance business, AT&T acknowledged it needed to reduce costs significantly.

It said it would take every initiative to do so before resorting to job cuts but believed some reduction in employment would be necessary. It expected that a significant portion would come through attrition, voluntary separation and retraining.

AT&T's consumer business, which employs some 32,000 people, is still the largest in the US, accounting for some 60 per cent of long-distance telephone calls.

It has, however, been losing market share to smaller rivals, notably MCI, whose innovative marketing programmes have led to a growth rate of around 15 per cent a year, three times the industry average.

Mr. Joseph Nacchio, who took over as head of the consumer business three months ago, has a reputation as a cost cutter, and has promised to make AT&T a much more effective marketer of services.

The deal with China follows AT&T's signing of a memorandum of understanding with the Republic last February to explore business opportunities.

Eastgate Services, an information consulting arm of AT&T Bell Laboratories, will publish an English language directory of the industrial database and licence it to third parties internationally.

Miller Brewing to close brewery and shed 1,200 jobs

By Richard Tomkins in New York

Miller Brewing Company, the second biggest brewer in the US, yesterday announced it was to close its Fulton brewery in upstate New York next year with the loss of all 900 jobs. Another 300 jobs are to be cut from its other brewing operations.

The company is owned by Philip Morris, the US cigarette, food and brewing group, which last Wednesday outlined plans to cut 14,000 jobs as part of a worldwide restructuring aimed at defending its brands against price competition.

Two days later Philip Morris detailed the first of the cuts when it announced that 800 hourly-paid and 100 salaried employees would be cut from the workforce of its cigarette manufacturing operations in Richmond, Virginia.

Miller Brewing Company, which makes Miller Lite, the world's top-selling low-calorie beer, employs 9,000. It has been

struggling in the face of stagnant beer sales in its domestic market caused partly by a doubling of the federal excise tax.

Mr. John MacDonough, the subsidiary's chairman and chief executive, said Miller had more production capacity than it needed and the cost of retaining it could not be justified in an extremely competitive environment.

"By closing our Fulton brewery, we would be able to eliminate significant fixed expenses while still meeting demand in the north-eastern US through production at our other eastern plants," he said.

The brewery will be closed in two phases next year: the first on January 31 and the second by October 1.

Production will be transferred to Miller breweries in Eden, North Carolina; Albany, Georgia; and Trenton, Ohio.

The remaining 300 jobs to go are salaried posts at Miller's Milwaukee, Wisconsin, headquarters and six other breweries.

Chemicals stake pushes Seagram into the red

By Bernard Simon in Toronto

Seagram, the international drinks group, was pushed into the red in the third quarter by losses stemming from its stake in Du Pont, the US chemicals producer.

The net loss for the three months to October 31 was US\$100m, or 97 cents a share, compared with earnings of \$16m, or 44 cents a share, a year earlier.

The latest figure includes a \$239m loss, equal to 64 cents a share, resulting from non-recurring charges taken by Du Pont, in which Seagram has a 24 per cent interest.

Revenues dipped to \$1.41bn from \$1.45bn, due to a \$85m foreign exchange loss, while operating income was virtually unchanged at \$197m, compared to \$196m.

Income of the wine and spirits group, accounting for over 90 per cent of the total, was unchanged. Weak sales in Europe, Seagram's biggest sin-

gle market, were offset by a strong performance by Chivas Regal whisky and Martell cognac in south-east Asia and Latin America.

Tropicana, the fruit juice maker, boosted operating income by 14 per cent to \$25m, due to higher market share in the US orange juice market and improved international results.

Earnings for the first nine months, excluding accounting changes, fell to \$232m, or 62 cents a share, from \$428m, or \$1.14 a share.

Peppi-Cola Canada will cut prices in a corporate strategy that the company described as "an all-out assault", AP-DJ reports from Toronto.

Peppi-Cola said it would continue to streamline operations and administrative procedures and "enhance its competitiveness by eliminating activities which do not directly add value to its products, consumers and retail customers".

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue

8,120,000 Shares

Bailey Elsasg Bailey
Process Automation

Common Stock

The New York Stock Exchange symbol is EBY

1,624,000 Shares

The above shares were underwritten by the following group of International Underwriters.

Merrill Lynch International Limited

Wertheim Schroder International Limited

ABN AMRO Bank N.V. Credit Lyonnais Securities Deutsche Bank Robert Fleming & Co. Limited
Kleinwort Benson Limited NatWest Securities Limited Nomura International Swiss Bank Corporation

6,496,000 Shares

The above shares were underwritten by the following group of U.S. Underwriters.

Merrill Lynch & Co.

Wertheim Schroder & Co.

Bear, Stearns & Co. Inc. CS First Boston Dillon, Read & Co. Inc. Donaldson, Lufkin & Jenrette
A.G. Edwards & Sons, Inc. Goldman, Sachs & Co. Kidder, Peabody & Co. Lazard Frères & Co.
Lehman Brothers Morgan Stanley & Co. Oppenheimer & Co., Inc.
PaineWebber Incorporated Prudential Securities Incorporated Salomon Brothers Inc
Smith Barney Shearson Inc. Wasserstein Perella Securities, Inc. Dean Witter Reynolds Inc.
Advest, Inc. Arnhold and S. Bleichroeder, Inc. Robert W. Baird & Co. William Blair & Company
J. C. Bradford & Co. Cowen & Company Dain Bosworth First of Michigan Corporation
Furman Selz Interstate/Johnson Lane Janney Montgomery Scott Inc. Edward D. Jones & Co.
Kemper Securities, Inc. Ladenburg, Thalmann & Co. Inc. C. J. Lawrence/Deutsche Bank Securities
Legg Mason Wood Walker McDonald & Company Morgan Keegan & Company, Inc.
Needham & Company, Inc. Nenner & Berman Piper Jaffray Inc.
The Principal/Eppler, Guerin & Turner, Inc. Ragen MacKenzie Rauscher Pierce Refsnes, Inc.
Raymond James & Associates, Inc. The Robinson-Humphrey Company, Inc. Stephens Inc.
Stifel, Nicolaus & Company Sutro & Co. Incorporated Tucker Anthony Wheat First Butcher & Singer
Cleary Gull Reiland & McDewitt Inc. Foley Mufson Howe & Company Gerard Klauer Mattison & Co., Inc.
Pauli & Company RAS Securities Corp. Sturdivant & Co., Inc.



RAINE

Raine plc announces the arrangement of a

£50,000,000

Multicurrency Revolving Credit Facility

Arranger

BARCLAYS SYNDICATIONS

Lead Managers

Midland Bank plc Barclays Bank PLC
Clydesdale Bank PLC Lloyds Bank Plc
The Royal Bank of Scotland plc Société Générale
Corporate Banking, Birmingham Birmingham

Managers

National Westminster Bank Plc
The Sanwa Bank, Limited

Agent

Barclays Bank PLC

Raine plc is the parent company of
Hall & Tansie Group Limited
Hassall Homes Group Limited
Plumb Group Limited

This announcement appears as a matter of record only
December, 1993

£85,900,000
CARPUS III Limited
Secured Floating Rate Notes due 1998
For the three month interest period
November 30, 1993 to February 28,
1994, the rate has been determined
at 5.675%. The interest payable
on the relevant interest payment
date February 28, 1994 will be
£1,002.51 per £72,119.19 principal
amount of Notes.
By: The Chase Manhattan Bank, N.A.
London, Agent Bank
December 2, 1993

Crédit Local de France
USD 150,000,000
Collateral Floating Rate Notes due 2002

In accordance with the Terms and Conditions of the Notes, notice
is hereby given that for the interest period from December 22,
1993 to June 02, 1994 the Notes will carry an interest rate of 5%
per annum.
The Coupon Amount payable on the relevant interest payment
Date, June 02, 1994 will be USD 25.28 per USD 1,000 principal
amount of Notes, USD 252.78 per USD 1,000,000
principal amount of Notes and
USD 2,527.78 per USD 100,000
principal amount of Notes.
The Agent Bank
KIL
Kilger & Co. AG
Frankfurt am Main

MAS interim profit falls 96%

By Kieran Cooke
in Kuala Lumpur

Malaysia Airlines (MAS), the state-controlled national airline, continues to battle financial problems, with results for the six months to September 30 revealing a 96 per cent fall in pre-tax profits.

MAS made pre-tax profits in the period of M\$3.4m (\$2.5m), compared with M\$153m in the same period last year, although turnover rose 4 per cent to M\$2.02bn.

Analysts point out that MAS would be in the red but for a change in accounting policy which cut aircraft depreciation charges, thereby adding M\$31m to operating profits.

The analysts say MAS is paying the price for an ambitious fleet expansion programme launched three years ago just as the worldwide airline industry was heading into recession.

In the course of its present five year plan to 1996-97 MAS has orders for 72 aircraft costing a total of M\$10.6bn.

MAS, partially privatised in the mid-1980s but still more than 80 per cent controlled by various state bodies, now has excess capacity on many of its routes.

In the past MAS has benefited from cash generated by aircraft sales. Such sales have then been incorporated into pre-tax profits. But in the six-month period MAS was unable to sell any aircraft, adding both to its financial difficulties and its excess capacity problems.

While MAS has managed to defer delivery on some aircraft, the financial position of the carrier is likely to come under increasing pressure in the short term with 10 new aircraft due for delivery over the next six months.

The Malaysian government has also announced plans for a second carrier which could take business away from MAS on domestic and regional routes.

"MAS expanded into a recession in the world aviation business," said one industry observer. "It got carried away in the general euphoria about economic growth in the south-east Asia region."

"But it's clear airlines in this part of the world are not immune from the problems of the world economy. MAS looks set for a couple of very tough years."

Despite the generally gloomy assessment of MAS' prospects, the carrier's shares have been trading at all-time highs on the Kuala Lumpur stock exchange in recent weeks.

Analysts say there have been rumours that Bank Negara, the Malaysia central bank, will sell

some or all of its 40 per cent shareholding in MAS.

But so far there has been nothing to substantiate the reports.

State-run Pakistan International Airlines (PIA) said it earned a profit of Rs312m (\$9.9m) in the year to last June, showing a decline of more than 70 per cent over the previous year, Reuter reports from Islamabad.

Revenue of about Rs22bn was 7.45 per cent up on 1991-92, when the profit was put at Rs1.1bn. PIA's operating income declined to Rs623m from Rs1.58bn in 1991-92, it said.

Directors blamed the decrease mainly on global recession, introduction of an open-sky policy by the Pakistani government allowing freer access by foreign airlines and new domestic privately owned airlines.

Price fall hits Siam Cement figures

By William Barnes
in Bangkok

A 15 per cent fall in domestic wholesale cement prices has hurt profits at Siam Cement, Thailand's largest conglomerate and building materials supplier. Unconsolidated third-quarter net earnings slid 28 per cent to Bt694m (\$7m).

Net profits for the first nine months were 38 per cent lower at Bt2.22bn. Many stockbrokers now think full-year consolidated earnings will dip to Bt3bn from 1992's Bt3.96bn.

Mr Hayden Meadows, of Baring Research in Bangkok, said the company's aggressive depreciation policy - capital values over five years - along with heavy interest charges distorted the figures.

"Operational results have been better than expected because the demand for cement has picked up," he said.

Two-thirds of Siam Cement's revenue comes from cement and construction material sales. Good returns from steel and machinery and electrical subsidiaries boosted Siam Cement's consolidated third-quarter earnings by 2 per cent to Bt1.05bn from Bt1.01bn. The nine-month consolidated profit was down 29 per cent to Bt2.58bn.

Siam City Cement, Thailand's second-largest cement company, reported consolidated net earnings for the first time at Bt344m, a 2 per cent rise over last year's parent company only figures. Nine-month consolidated profits were Bt1.36bn.

Analysts are forecasting full-year earnings of Bt1.6bn, compared with Bt1.24bn in 1992.

Indian steel group squeezed

By R C Murphy in Bombay

Essar Gujarat, the flagship company of India's Essar group, saw first-half margins squeezed by recession in the steel industry and by cheap imports of scrap steel.

Sales jumped by more than four-fifths in the first half to September to Rs3.7bn from Rs2.45bn in the same period last year.

Net profits in the six months, however, rose by only one-third to Rs27.3m (\$26.3m) from Rs70m a year ago.

Anglo American lifts dividend

By Philip Gawthill
in Johannesburg

Improved earnings from diamond and gold investments helped Anglo American Corporation, South Africa's largest company, increase attributable first-half earnings by 8 per cent to R629m (\$172m) from R581m a year ago.

Earnings per share rose to 271 cents from 251 cents and the interim dividend was increased to 95 cents from 90 cents a share.

Mr Julian Ogilvie Thompson, chairman, predicted that full-year results would show a similar pattern to those recorded in the first half.

Commenting on the political backdrop to the group's perfor-

mance, Mr Ogilvie Thompson welcomed the interim constitution agreed last month, describing it as a "major achievement" in the country's progress towards "market democracy status". He also described the five-year government of national unity, which will follow next April's election, as offering "the best chance of creating the political and economic stability required for growth and broadly based development".

Mr Ogilvie Thompson also said the economic outlook was more positive. Not only has the country's four-year recession ended, but the economic policy debate has produced considerable consensus. He stressed particularly progress made on

the anti-trust debate - where Anglo is normally the prime target on account of its size - which had developed "in a rational and co-operative spirit".

On the operating side, investment income rose to R600m from R414m mainly as a result of higher dividends from Anglo's gold interests. Higher dividends from diamonds were offset by weak performances from platinum and base metal interests.

Trading income fell by 12 per cent to R201m because of the fall in operating profit at Amcol.

A R88m surplus on the realisation of certain gold investments helped lift pre-tax income to R978m from R928m.

Record subscription for Kunming Machine Tool

By Simon Davies
in Hong Kong

Kunming Machine Tool Company, the sixth Chinese state corporation to launch its flotation on the Hong Kong stock market, has become the second most heavily subscribed new issue in the company's stock market history.

The HK\$123.7m H share offer for the company was 628 times oversubscribed, attracting HK\$81.7bn (\$20.6bn) in public money. The largest over-subscription was in February, when Chinese car manufacturer Denway pulled in HK\$240m.

The offer closed on Friday, in a nervous stock market and amid increasing concerns over the lack of agreement between Britain and China over the colony's political future. It demonstrates the continued enthusiasm for companies profiting from the rapid restruc-

turing of China's economy. Kunming Machine Tool, founded in 1938, has developed into the market leader within a niche industry, despite its location in the capital of one of China's poorest provinces. About 82 per cent of its orders are in China, servicing the manufacturing, transportation, energy, aerospace and electronic industries.

The company is on a strong growth track, with profits forecast to increase from Yn16.4m (\$2.8m) to Yn31m, putting the shares on a fully diluted prospective price-earnings ratio of 10.6, a substantial discount to the blue chip Hang Seng Index average of more than 15.

Support for the issue was fuelled by the performance of the previous five H share flotations. When the Kunming Machine Tool offer closed, the average increase in share price for the previous five H share offers was 103 per cent.

NEWS IN BRIEF

NZ bank to raise NZ\$200m in flotation

Trust Bank New Zealand, the country's fifth biggest bank, is to raise up to NZ\$200m (US\$109m) in a public flotation early next year, writes Terry Hall in Wellington.

There has been speculation that it intends to use the money to buy Countrywide Bank, the country's sixth-largest retail bank, from Bank of Scotland. Trust Bank is the largest New Zealand-owned and controlled bank, formed by the merger of nine regional savings banks in the late 1980s.

Chief executive Mr Graeme Pentecost said yesterday there are no specific plans. However, ANZ McCaughan Securities analyst Mr Hugh Amundsen said the funds being raised were well above what the bank needed for its capital ratios, and suggested the capital may be used to buy Countrywide Bank.

Mixed results for Indian group

Grasim Industries, India's largest producer of viscose staple fibre, blamed a bumper cotton crop for a 17 per cent decline in net profits to Rs96m (\$19m) in the six months to December, writes RC Murty in Bombay.

Another company in the Aditya Birla group, Hindalco Industries, a primary aluminium producer, saw profits slip 10 per cent to Rs545.7m, but a third, Indian Rayon and Industries, posted a 30 per cent rise to Rs340m.

All of these securities having been sold, this announcement appears as a matter of record only

December 1993

6,865,671 Shares



The Korea Fund, Inc.

Common Stock

Scudder, Stevens & Clark, Inc.-Investment Manager
Daewoo Capital Management Co., Ltd.-Korean Adviser

657,376 Shares

Lehman Brothers

Daewoo Securities (Europe) Limited

Merrill Lynch International Limited

Nikko Europe Plc

Bayerische Vereinsbank Credit Lyonnais Securities Daishin International (Europe) Ltd.
Robert Fleming & Co. Limited Hyundai Securities (Europe) Ltd.
Kleinwort Benson Limited Lucky Securities International Ltd.
Ssangyong Securities Europe Limited Sunkyoung Securities Limited
Swiss Bank Corporation Tong Yang Securities Europe Limited S.G.Warburg Securities

This tranche was offered outside the United States and Japan.

3,083,295 Shares

Lehman Brothers

Daewoo Securities Co. Ltd

Merrill Lynch & Co.

The Nikko Securities Co.

International, Inc.

CS First Boston Bear, Stearns & Co. Inc. Alex. Brown & Sons
Dillon, Read & Co. Inc. A.G. Edwards & Sons, Inc. Goldman, Sachs & Co.
Kidder, Peabody & Co. Korea Associated Securities Inc. Oppenheimer & Co., Inc.
PaineWebber Incorporated Salomon Brothers Inc. Wertheim Schroder & Co.
Incorporated Incorporated

This tranche was offered in the United States

3,125,000 Shares

The Nikko Securities Co., Ltd.

Lehman Brothers Kankaku Securities Co., Ltd. Tokyo Securities Co., Ltd.
Daewoo Securities Co., Ltd. Sanyo Securities Co., Ltd. New Japan Securities Co., Ltd.
Salomon Brothers Asia Limited Wako Securities Co., Ltd. The Kaisei Securities Co., Ltd.
TOYO SECURITIES CO., LTD. Okasan Securities Co., Ltd. KANEJU SECURITIES CO., LTD.
KOSEI SECURITIES CO., LTD. Coryo Securities Corporation James Capel Pacific Limited
The Nippon Securities Co., Ltd. Maruman Securities Co., Ltd. MITO SECURITIES CO., LTD.

This tranche was offered in Japan.

Global Coordinators

Lehman Brothers

The Nikko Securities Co., Ltd.

Notice of Interest Rates

To the Holders of

The United Mexican States
Collateralized Floating Rate Bonds Due 2019

NOTICE IS HEREBY GIVEN that the interest rates covering the interest period from December 1, 1993 to June 1, 1994 are detailed below:

Series Designation	Rate	Interest Amount	Interest Payment Date
USD Discount Series D	4.32813 Per. P.A.	USD 21.88 Per USD 1,000.00	June 1, 1994
FFF Discount Series	7.0625 Per. P.A.	FFF 178.52 Per FFF 5,000.00	June 1, 1994

CITIBANK, N.A., Agent

December 1, 1993

The Mortgage Bank and Financial
Administration Agency of the
Kingdom of Denmark
(Kongeriget Danmarks Hypotekbank og Finansforvaltning)

U.S. \$100,000,000
Guaranteed Floating Rate Notes due 2005
unconditionally and irrevocably guaranteed by
The Kingdom of Denmark

For the six month interest period 1st December, 1993 to 1st June, 1994, the Notes will carry a Rate of Interest of 5 per cent. per annum, with Coupon Amounts of U.S. \$126.39 and U.S. \$2,527.78 per U.S. \$5,000 and U.S. \$100,000 Notes respectively. The relevant interest payment date will be 1st June, 1994.

Bankers Trust
Company, London

Agent Bank

FORD CREDIT EUROPE PLC
£200,000,000 FLOATING RATE NOTES DUE 1996

Notice is hereby given that the Rate of Interest has been fixed at 5.4825% and that the interest payable on the relevant interest Payment Date 1st June 1994 against Coupon No. 1 will be £27.24 in respect of US\$1,000 nominal of the Notes and £272.36 in respect of US\$10,000 nominal of the Notes.

December 2, 1993

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

Daily Gold Fax - free sample

from Gold Analysis Ltd
75 Wallingford Street, London W1R 7ND, UK
commodity specialists for over 22 years

Ask Anne Whalley
Tel: 071-734 7174
Fax: 071-459 4966
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3i International B.V.

(Formerly known as Investors in Industry International B.V.)

£125,000,000
GUARANTEED
FLOATING RATE NOTES 1994

FOR THE THREE MONTH PERIOD
30TH NOVEMBER, 1993 TO 28TH FEBRUARY, 1994

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 5 1/8 per cent. per annum and that the interest payable on the relevant interest payment date, 28th February, 1994 against Coupon No.25 will be £137.16 from Notes of £10,000 nominal and £13.72 from Notes of £1,000 nominal.

S.G.WARBURG & CO. LTD.

(Agent Bank)

To the holders of
Mortgage Capital Trust I
Collateralized Mortgage Obligations, Series A
Class A-1 Bonds Due 1st June, 2017

Notice is hereby given that the interest rate on the Class A-1 Bonds for the interest period 1st December, 1993 through 1st March, 1994 is 4.10% per annum.

By: Bankers Trust Company, as Trustee.

Mortgage Funding
Corporation No 2 Plc

£115,000,000 Class B-1
£11,000,000 Class B-2
Mortgage backed floating
rate notes August 2023

For the interest period 30 November 1993 to 28 February 1994 the Class B-1 notes will bear interest at 5.7625% per annum. Interest payable on 28 February 1994 will amount to £1,420.89 per £100,000 note. The Class B-2 notes will bear interest at 5.9375% per annum. Interest payable on 28 February 1994 will amount to £1,464.01 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

CREDIT LOCAL DE
FRANCE - CAEL S.A.

U.S.\$2,000,000,000
Euro-Medium Term Notes
SERIES NO.12
FFC725,000,000 Inverse
floating rate notes 1996
TRANCHE NO.1

Notice is hereby given that for the interest period 1 December 1993 to 1 March 1994 the notes will bear interest at 18.75785% per annum. Interest payable on 1 March 1994 will amount to FF24,637.31 per FF500,000 denomination.
Agent: Morgan Guaranty Trust Company
JPMorgan

CORRECTION NOTICE
CITICORP

US\$250,000,000 FLOATING RATE SUBORDINATED
CAPITAL NOTES DUE AUGUST 23, 1996 and
US\$250,000,000 FLOATING RATE SUBORDINATED
CAPITAL NOTES DUE SEPTEMBER 19, 1994

This is a correction to the redemption date which was announced in the Luxembourg Wort and Financial Times on 26th November, 1993. The new redemption date for both issues will now fall on 29th December, 1993. All other conditions remain the same as the original notice.

December 2, 1993, London
By: Citicorp

CITIBANK

COMPANY NEWS: UK

Pearson acquires Extel Financial for £73.5m

By Raymond Snoddy

Pearson, the publishing and media group, yesterday agreed to buy Extel Financial, the financial information group, from United Newspapers for £73.5m.

There was considerable interest in Extel, which pushed the purchase price beyond the expected £50m-£55m, but it is believed that Pearson, owner of the Financial Times, was the only bidder willing to buy all five divisions of Extel Financial, including the loss-making Financial Systems side.

The purchase price, which has delighted United, includes repayment of an £11.8m inter-company loan.

Pearson, which announced in July it intended to concentrate on its media interests,

said the buy would accelerate its expansion "into electronically delivered information markets not only in Europe but also in the US and Asia."

Extel Financial's businesses range from financial and corporate information on securities to financial news and services for investment administration and analysis.

According to Pearson, Extel's 1992 sales were £34.5m and pre-tax profits, excluding pension credit, £5.6m before losses of £2.8m in Financial Systems, a division providing investment accountancy systems and services. Pearson believes the losses can be cut sharply next year.

Mr Derek Terrington, media analyst at Kleinwort Benson, said the deal was "good news for United and a considerable

challenge for Pearson."

Mr Graham Wilson, managing director of United, said that after provision for goodwill the sale would realise a net gain of more than £25m.

Extel, whose managing director is Mr Martin Brooks, a former Financial Times executive, will continue as a separate operating subsidiary with the Financial Times Group.

Mr Fred Perkins, managing director of Financial Times Information Services, said Extel was in almost every area complementary to FTIS services such as the Profile data base.

As part of the deal Pearson also gets a 50 per cent share of a joint venture with Agence France Press which operates the AFX electronic financial news service.

Argyll joins store price war

By Neil Buckley

Argyll Group yesterday became the third of the UK's big three retailers to admit that the trading climate was becoming more difficult in UK food retailing and that it was altering its strategy.

The group, which includes the Safeway, Lo-Cost and Presto chains, reported an increase in interim pre-tax profits from £205.1m to £217.3m. It warned, however, that trading would be difficult in the second half with increased price competition from Sainsbury and Tesco.

Sir Allister Grant, chairman, said Argyll had adopted a three-point plan.

Safeway has launched an "everyday low pricing" campaign, cutting the prices of about 200 own-label and branded goods. The group has also cut its planned capital spending from £650m to £500m and is reviewing its policy on depreciation of land and buildings, which is likely to result in a £40m profit hit this year.

Mr David Webster, deputy chairman, said Safeway had not lost sales to the growing band of discounters such as Aldi, Netto and Kwik Save, but had been affected by a chain reaction.

The spread of discounters offering very low prices had forced superstore operators

Asda and Gateway to cut their prices to compete, which in turn had forced Sainsbury and Tesco to respond.

This, he said, had destabilised the market, but he believed it would eventually regain its equilibrium. In the meantime, the bigger chains were best-placed to withstand the increasing competition.

"Chains with advantages of scale and efficiency, with big own brands, and who are prepared to tough it out, are in a much stronger position than new entrants."

Group sales were up 11 per cent to £3.15bn (£3.84bn). Sales at the Safeway chain increased 13 per cent to £2.55bn with new stores contributing 12.7 points of the increase. With inflation at about 2 per cent for the year, like-for-like sales were down about 1.7 per cent.

Operating profits at Safeway increased 21 per cent to £187.5m (£155.3m).

News from the Presto and Lo-Cost chains was less positive. Turnover increased 3 per cent to £601m, but operating profit fell 15 per cent to £23.7m. This was due mainly to a fall in profits at Lo-Cost, which Mr Webster admitted had been hit by competition from chains such as Aldi and Netto.

Group earnings were up 6 per cent to 14.1p (13.3p), and the interim dividend is raised to 3.75p (3.5p).

LWT considers making bid for Yorkshire-Tyne Tees

By Raymond Snoddy

London Weekend Television is considering making a bid for Yorkshire-Tyne Tees, the financially-troubled ITV company in which it holds a 14 per cent stake.

Following Carlton Communications' agreed conditional bid for Central this week, attention is turning to the future of LWT, the most attractive takeover target after Central.

Granada, which early this year bought 20 per cent in LWT, is being put off by the latter's hefty 95p share price and is also reluctant to move before a proposed ITV ownership rule change is approved by parliament.

The debate on the rule change, which outside London will allow one ITV company to hold two broadcasting licences,

is scheduled for next Wednesday. Granada's results are due on the same day.

Sir Christopher Sland, LWT chairman, is believed to be determined not to accept a takeover if he can find an alternative that makes financial sense for shareholders.

Every possible target is being analysed at LWT, but despite the obvious difficulties Yorkshire-Tyne Tees has not been ruled out and is still being considered seriously.

The main problems include the need to divest Tyne Tees and demonstrate that Yorkshire (in which Pearson, owner of the Financial Times, has a 14 per cent stake) could be quickly returned to profit.

Uncertainty in the City over a possible bid could lead to a fall in the LWT share price, which could in turn make it

easier for Granada to pounce. Senior managers at Tyne Tees would, however, be interested in a buy-out, although it is unclear whether such a deal could be financed.

The Yorkshire-Tyne Tees results are expected on December 14 and are likely to show pre-tax losses of about £5m, mainly because of over-trading and discounting of advertising.

The problems are likely to be tackled in the 1992-93 accounts and Lazer, the LWT advertising sales team which formally takes over the Yorkshire sales business on January 1, will be able to sell 100 per cent of the Yorkshire-Tyne Tees airtime.

Yorkshire-Tyne Tees is capitalised at only about £30m, compared with LWT's market capitalisation of some £600m.

NEWS DIGEST

Millgate poised for USM float

Millgate is coming to the USM through the placing of 17.8m shares at 40p to raise a net £6.6m. Of the proceeds £6.02m will be used to purchase Laserline Car Alarms (UK), and the balance for working capital. An additional £400,000 is being raised by the sale of shares at 40p to some directors and Laserline SpA, the Italian manufacturer of the alarms which Laserline (UK) imports.

In the six months to May 31 Laserline (UK) reported pre-tax profits of £485,000 on turnover of £2.97m. Net assets are warranted at not less than £666,500.

Gibbon Lyons
Increased market share helped Gibbon Lyons raise pre-tax profits by 38 per cent in the six months to September 30.

On sales up 10 per cent at £12.7m (£11.5m) the pre-tax figure increased from £712,000 to £980,000.

The USM-quoted maker of

printing inks and related products raised its interim dividend to 2.2p (2p) on earnings per share of 6.3p (4.4p).

Mid Kent

Mid Kent Holdings, the water supply company, announced an 11 per cent reduction in pre-tax profits from £4.28m to £3.8m for the half year to September 30.

Turnover rose 5 per cent to £16.4m (£15.6m) but the pre-tax result was after a net interest charge of £644,000 against £298,000 received. That represented the costs of financing the continuing investment programme.

The interim dividend is lifted to 5p (4.75p), payable from earnings per share of 16.7p (19.3p).

Radius

Shares in Radius fell 6p to 27p yesterday after the USM-quoted computer systems and maintenance company said that following a particularly bad third quarter operating losses for the second half to December 31 would be broadly similar to the first.

However, based on the continuing growth in sales of the

group's new products, directors expect a return to profits in 1994. Pre-tax losses of £498,000 were reported for the first half.

Mountview Estates

Mountview Estates, the property dealing group, saw profits dip to £3.37m in the half year to end-September.

The decline from last time's £3.62m was described by directors as "disappointing" although there was "reasonable expectation" that results for the full year would match the previous £5.75m.

Turnover amounted to £7m (£7.31m). Earnings dipped to 49.3p (52.8p); the interim dividend goes up to 10p (8p).

Cantab Pharm

Cantab Pharmaceuticals, which came to the market in October, reported higher third quarter pre-tax losses of £762,000, against £359,000. Turnover fell from £280,000 to £219,000.

The figures for the nine months to September 30 showed losses of £2m (£225,000) on turnover of £537,000 (£1.45m). Three months losses per share were 14p (8p) for nine month figures of 37p (20p).

Derwent pays £9m for offices

Derwent Valley Holdings, through its Colebrook Estates subsidiary, is buying a 75,000 sq ft 10-storey leasehold office building for £9.2m.

The property, at London's Hyde Park Corner, is held on a 70-year unexpired ground rent

of £2,750 a year.

Its rental income amounts to £1.67m a year with most leases due for renewal at the end of 1994.

The consideration will be satisfied from the company's existing facilities.

This announcement appears as a matter of record only



WOODCHESTER CREDIT LYONNAIS

Woodchester Credit Lyonnais plc

£110,000,000
Term Loan Facility

Arrangers

HILL SAMUEL BANK LIMITED

WESTLB GROUP

Lead Managers

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LLOYDS BANK Plc

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Co-lead Managers

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GROZENTRALE
London Branch

Managers

ANDFINANCE LIMITED

ASUK-CGER BANK NV-SA

BANQUE ET CAISSE D'ÉPARGNE DE L'ÉTAT, LUXEMBOURG

BANCA DI ROMA - London Branch

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Agent

HILL SAMUEL
Bank

November 1993

National Development Company

Notice of Philippine Privatization

The National Steel Corporation

(Invitation to Pre-qualify and Bid)

The National Development Company (NDC) of the Republic of the Philippines seeks a strategic investor to purchase a sixty-five (65%) interest in its wholly-owned subsidiary, the National Steel Corporation (NSC). NSC is the largest producer of semi-finished steel products in the Philippines, supplying over 40% of the flat and long products market.

A Preliminary Information Booklet on the privatization is available from the NSC Privatization Technical Committee by contacting:

Emelito C. Castro or Veronica A. Santos
National Development Company
First Bank Building (formerly Producers Bank Bldg)
371 Sen Gil J. Puyat Ave
Makati, Metro Manila
Philippines
Ph: (632) 818 3284 loc. 42/69, (632) 815 4478, (632) 817 5764
Fax: (632) 615 4472, (632) 815 9982

Prospective investors should register their interest by following the procedure set forth in the Preliminary Information Booklet. Those who submit their duly signed statement of interest and confidentiality agreement and pay for a full Information Memorandum by January 21, 1994 at 5:00 p.m. (Manila time) will be entitled to attend the pre-qualification conference, which will be held in Manila on January 31, 1994.

The deadline for submission of pre-qualification materials is on February 11, 1994 at 5:00 p.m. (Manila time). The sale, which will be through public bidding by pre-qualified parties, is scheduled in April 1994.

This notice does not constitute, or form part of, any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for any securities.

Gardner Merchant Services Group Limited

management buy-out

£220,000,000
Debt Facilities

co-arranged by

SAMUEL MONTAGU

January 1993

McDonnell Douglas Information Systems

management buy-out

Senior Debt Facilities

arranged by

SAMUEL MONTAGU

March 1993

Navarro Saltos De Agua S.A. Spain

project financing

Pts. 1,245,000,000
Limited - recourse Facilities

arranged by

SAMUEL MONTAGU

October 1993

.Dawson International PLC

\$100,000,000
Term Loan and
Revolving Credit Facility

arranged by

SAMUEL MONTAGU

November 1993

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COMPANY NEWS: UK

Strong second half lifts Bass

By Philip Rawstone and Peter Montagnon

A strong second half performance by Holiday Inn operations in the US and Asia/Pacific helped Bass, the UK brewing, hotels and leisure group, lift full year pre-tax profits 7.4 per cent to £503m.

Mr Ian Prosser, chairman and chief executive, said it appeared unlikely that trading in the first half of the present financial year would benefit significantly from the economic environment.

However, the management actions we have taken will produce improvements over the year and the business is well placed to gain from any increased consumer spending in our markets.

Operating profit for the year

to end-September increased marginally to £603m on turnover which grew by 3.3 per cent to £4.45bn.

Holiday Inn profits rose 15.3 per cent to £128m (£111m). The results reflected a substantial turnaround after a first half decline. In North America second half dollar profits were 15.5 per cent higher, with revenue per available room 3 per cent ahead, and in Asia/Pacific profits rose 41 per cent.

Overall, a net 89 hotels were added to the system which now comprises 1,774 hotels.

Brewing profits fell 8.2 per cent to £158m, hit by price competition and charges of £18m for reorganisation. Increased bad debt provisions, and the change to end product duty, net margins fell from 10.9 per cent to 9.8 per cent.

UK beer volumes, however, rose nearly 1 per cent to 8.38m barrels and market share grew

0.5 per cent to 23 per cent.

Profits from Britvic soft drinks fell to £35m (£41m) as recession, poor summer weather, and price competition reduced sales volume by 5 per cent.

Pub profits, reflecting a reduction in the estate of about 520 outlets, were 4.2 per cent lower at £205m. But profit per managed house, driven by an increasing contribution from food sales, was 5 per cent higher.

Leisure operations raised profits by 15.6 per cent to £74m with a strong performance by Barcrest, the amusement machine business, which led the UK market with a 43 per cent share, and improvements from Coral betting shops and Gala bingo clubs.

Earnings per share grew 2.8 per cent to 36.3p and a final dividend of 14.35p lifts the total 4.8 per cent to 50.65p.

COMMENT

Bass has seen a remarkable improvement in the second half and deserves credit for increasing its share of the beer market with only a limited drop in margins. But since the market is likely to remain highly competitive there must be doubt about whether the company can cut costs far enough to avoid further margin erosion. Hotel profits were actually down by 2 per cent in dollar terms. While the US hotel business is showing good underlying growth, the European market is depressed and further progress in the US may depend on the rate at which new franchises are added. Brokers' profit estimates for the current year of about £530m put the shares on a forward multiple just over 14 times. That would make them expensive without the support of a historic yield of 4.6 per cent.

Sorrell sells 40% of WPP holding

By Diane Summers, Marketing Correspondent

Mr Martin Sorrell, chief executive of WPP, the heavily indebted marketing services group, has sold about 40 per cent of his shares in the company.

A total of 848,917 shares were sold by Mr Sorrell on November 18 at 92.5p, leaving him with 1.3m shares out of WPP's issued equity capital of 434m shares.

Mr Sorrell is the first director to turn seller of the shares since they began a robust recovery from their all-time low of 22p in October 1992.

He and some fellow board members had been periodic buyers of the shares during the sharp upturn.

Mr Sorrell bought 100,000 shares at 34p in September 1992, while other directors acquired stock the following month.

Mr Sorrell acquired a further 100,000 shares at 55p this January.

WPP's share price peaked at 106p in mid-September, following the sale by banks of most of the ordinary shares they received by converting preference shares in the company.

SG Warburg, the stockbroker, bought 46.9m shares at 93p and placed them at 94p with 60 institutions in the UK, US and Europe.

The shares yesterday closed 3p up at 91p.

Stammers set to resign second post

By Andrew Bolger

Mr Lionel Stammers is expected today to resign as non-executive director of BBA, the car components group - just 24 hours after stepping down as non-executive director of BTR, the industrial conglomerate.

Mr Stammers is believed to have decided to quit both posts after concerns arose about possible future conflicts of interest between the groups.

He wanted to behave in an even-handed manner over any potential conflict of loyalty.

It appears BTR is still smarting over the departure of one of the industrial conglomerate's most promising executives, Mr Roberto Quarta, 44, who last month left to become chief executive of BBA.

Mr Stammers' resignation from BTR yesterday severed a 29-year connection with the group. BTR said the possibility of future conflicts of interest with a competitor meant his resignation had been announced "with regret".

Mr Norman Ireland, BTR's chairman, stressed he was not suggesting any impropriety by Mr Stammers, who he accepted had played no part in Mr Quarta's selection. He had the biggest regard for Mr Stammers, a former joint chief executive of BTR's European region and an executive director until 1988. Mr Ireland said: "There's nothing in the air between us - it's just a situation that arose."

However, since Mr Stammers joined BBA's board in 1988, the scope for a conflict of interest is scarcely new.

BTR watchers will be left wondering what role had been planned for Mr Quarta, the US-born son of an Italian tailor who was seen as a future candidate to succeed Mr Alan Jackson as chief executive.

Brighter outlook for GEC on back of investment

By Alan Cane

Yesterday's sharp decline in GEC's share price, sparked by Lord Prior's warning of more or less flat earnings for the current year, may have been overdone. There is no doubt, however, that coupled with the group's lacklustre results for the first half, the warning prompted an abrupt change of market sentiment.

Looking further ahead the picture is somewhat brighter, as the group should begin to reap the benefits of its heavy investment in electronic systems and power systems.

Profits in the electronic systems division, for example, were down by £11m to £79m but orders, up 2.3 per cent since March at £4.9bn, exceeded sales of £1.4bn.

Orders were received for avi-

onics systems for Tornado aircraft for Saudi Arabia, sonar systems for Trident and the laser warner for the Eurofighter.

The decline in profits in electronic systems was caused by heavy development costs necessary before product sales, according to Lord Weinstock, GEC managing director. The costs of interactive in-flight entertainment systems, for example, had risen and provisions had been made. Work on the Eurofighter was progressing, but longer development cycles provoked higher spending, he said.

Pre-tax profits in the components - semiconductor chips - area were flat at £8m. The company's profitability is tied to volume sales of products such as computer disk drives for which it makes special circuitry.

Power systems showed a

slight rise in pre-tax profits from £77m to £79m. The order book, at £6.6bn, was 6 per cent higher than at the March 31 year end. The company has been selected by the Korean High Speed Construction Authority to negotiate the high speed train contract for the Seoul-Pusan line, valued at \$2.4bn (£1.61bn). It has also won orders worth more than £300m for London Underground's Jubilee Line extension.

Telecommunications, the third of GEC's principal businesses, showed a significant drop in profits to £44m (£51m). Orders received, however, were up 32 per cent.

Continental Europe, where GEC has about one third of its business, remains the company's chief problem area, but the trio of businesses in the US, Gilbarco, Videjet and Picker, turned in record sales and profits.

GEC expected to acquire choicest parts of Ferranti

By Paul Taylor

Even though GEC yesterday abandoned its 1p a share rescue bid for Ferranti, Britain's biggest manufacturing group is still expected to pick up the best of what remains of Ferranti's defence electronics businesses.

Indeed GEC could well save money by buying those Ferranti operations it wants from the receiver instead of footing an £11.4m acquisition bill and assuming responsibility of Ferranti's net debts, contingent liabilities and overdue creditors' payments totalling about £155m.

The dismantling of Ferranti actually began in 1989 following the discovery of huge fraud in International Signal and Control, the US subsidiary which Ferranti acquired in 1987.

The ISC fraud blew a massive hole in Ferranti's balance sheet and forced Ferranti's management, led by Mr Eugene Anderson, chairman, to embark on a £500m asset sale programme to try to keep Ferranti afloat. In the process its workforce was cut from 22,000 to less than 3,700 and bank debts were reduced from £688m in 1989 to about £100m at the end of September.

GEC picked the prize fruit of the Ferranti empire after the ISC debacle, paying

£310m in 1990 for its radar division.

The business included the project leadership for the radar to equip the European Fighter Aircraft. Last year, GEC-Marconi bought the company's missile business for £38m.

In its offer document for Ferranti issued at the start of November, GEC identified four other areas where a combination of both group's operations would result in business units "better placed to win orders for defence equipment at home and overseas." These are combat management systems for surface ships and submarines; air defence command, control and communications systems; ship and submarine sonar; simulation and training products.

It is assumed that these are the businesses which GEC might be interested in acquiring from the receivers. Among these assets Ferranti's sonar operations were folded into a joint venture with Thomson-CSF, the French defence group, in 1990 and its investment was valued at £25.7m in the latest accounts.

Putting a value on Ferranti's other assets is difficult, particularly since much of the potential value to a purchaser probably lay in the experience of its workforce which may now be dissipated.

Dairy Crest ahead to £17m

By Maggie Urry

Dairy Crest, the Milk Marketing Board's dairy products division which is due to float in the new year, recorded a 28 per cent rise in pre-tax profits from £13.3m to £17m for the half year to September 30.

Profits were struck after £2m (£1.4m) of exceptional rationalisation costs.

Mr John Houlston, chief executive, said Dairy Crest was "very much looking forward to industry deregulation and flotation."

The flotation is expected to value the group at between £250m and £300m.

Mr Houlston said details of the move were under active discussion. In the past three years much had been done to prepare the business to be "a robust and sustainable" company when it was exposed to a free market in milk, when the MMB is abolished on April 1, and to being a public company.

Mr Houlston said that although he believed that Milk Marque, the buying group the MMB has proposed to succeed itself, was the safest way of moving into the new system, the company's prime consideration was to guarantee its milk supplies at competitive prices.

In the half year turnover fell

from £57m to £53.8m, as the volume of milk available for manufacture fell by 6 per cent and Dairy Crest had to absorb price increases of 12.8 per cent for liquid milk.

Turnover from continuing operations rose 1 per cent to £412m (£408m). The group sold five bottling dairies which supplied doorstep milk deliveries, a market currently down by more than 10 per cent.

Operating profits from continuing businesses rose 14 per cent to £17.7m (£15.5m).

The consumer foods division increased operating profits by £3.2m (£3.6m), but the food services side fell from £8.9m to £8.5m.

Yorkshire Water advances 4.2%

By Andrew Bolger

Yorkshire Water said its non-regulated businesses made a small but encouraging contribution to pre-tax profits, which grew by 4.2 per cent to £4.8m in the six months to September 30, against £71.5m.

The interim dividend is lifted 8 per cent to 7.5p (7.05p). The interim payment will exceptionally be made on April 6, to take advantage of the reduction in the rate of advance corporation tax effective from that date.

Turnover rose by 8 per cent to £259.4m (£239.5m), in which there was an overall increase in main charges income from

the core business of a little more than 5 per cent, and an increase of nearly 75 per cent from non-regulated activities.

The downward trend in industrial and commercial water consumption continued and this seemed likely to be maintained as more customers sought economies.

Investment in water services totalled £112m in the first six months, almost 20 per cent below last year's record level. Investment totalling £260m was planned for the full year, which Yorkshire said was sufficient to maintain progress towards compliance with the company's quality and environmental obligations.

Non-regulated activities contributed £2.9m to operating profits of £83.8m. A further £63m was invested in the non-regulated activities during the period, including the purchasing of a third leasing company in July for £51m. The operating profits were evenly split between leasing, property and environmental activities.

Net debt rose £10.1m to £235.9m, giving gearing of 18.3 per cent, up from 11.2 per cent. Earnings per share were 36.1p (34.4p).

COMMENT

Yorkshire's shares closed 25p higher at 86p, boosted partly by a rising market. However,

the company helped give the whole sector a lift by talking again about the scope for reducing manning levels over the next five years, which will be speeded by a new management structure. The shares are on a prospective yield of about 4 per cent, which puts them in the middle of the pack. Yorkshire has done well on the costs front and seems to have chosen interesting areas for diversification, such as medical incineration. However, the shares are likely to drift, along with the rest of the sector, until the regulator gives a clearer indication in July of the pricing regime which will apply from 1995 onwards.

Huntingdon falls to £8.79m

By Catherine Milton

Severe price competition and weak demand in some areas saw pre-tax profits at Huntingdon International, the life sciences and engineering services company, fall from £14.4m to £8.79m in the year to September 30.

The board remained confident about long term prospects but expected 1994 to be another difficult year. Earnings growth in the second half of 1993 was

unlikely to continue through the first quarter of 1994.

A maintained final dividend of 1.9p is proposed for an unchanged total of 2.775p. Earnings fell to 7.4p (11.5p).

Sales, net of subcontracting costs, rose to £156.1m (£139.6m). Operating profits were £15.5m (£16.1m). Mr Christopher Cliffe, finance director, said the company had endured "one of the most difficult years in its history".

There was a £3m exceptional

charge for restructuring the US engineering and environmental business which forced the company to make a trading statement in March.

However, the company's strongest business, life sciences, had seen growth in confirmed contracts net of cancellations for the first time in three years. The division had resisted price pressure, margins had held up and even improved, Mr Cliffe said.

The first full year contribution from Travers Morgan, the construction-related project management company bought in December 1991, had been struck during a year of survival in the midst of fierce competition in its largest UK market.

Net debt rose to £44.5m (£38.7m) partly because of the large amount denominated in dollars. Gearing at the year end was 69.9 per cent (70.9 per cent).

For the second year in a row the company saw a net cash outflow, of £2.2m (£4.6m). In 1992 Huntingdon paid £11m for Travers Morgan.

New Rothmans and Vendome lose appeal

By Maggie Urry

An appeal by New Rothmans and Vendome Luxury Group to have their shares included in FT-SE Actuarial share indices has been turned down by the appeal committee.

However, the committee said it "would strongly hope that a means may be speedily found whereby New Rothmans and Vendome Luxury Group may be included in the UK indices."

The shares were excluded by the FT-SE Actuarial Share Indices Steering Committee because the companies do not conform to the definition of UK companies.

A working party will now start to review the share index ground rules on the inclusion of shares in companies with cross border capital structures. A decision is expected from the steering committee by next April.

Heron repays £150m early

Heron International, Mr Gerald Ronson's private property and trading group which finalised a £1.2bn debt restructuring in September, has repaid £150m of debt early, writes Maggie Urry. The payment, made by Heron Corporation, was due on March 31 next year and £250m of it had been repaid by September.

The payment was made largely from disposals of properties which have been sold at values higher than those ascribed to them in the refinancing plan.

Heron cut its debt in the restructuring through a swap of some loans into equity. The next debt repayment is £160m March 1996.

The dividend is payable to holders of bearer shares against presentation of Coupon No. 7 on December 1993.

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awarded BS5750 for pension scheme administration, Newbury.

1952139

VENDÔME LUXURY GROUP

RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1993

Vendôme Luxury Group ("Vendôme"), which was formed by means of the reconstruction of the luxury goods and tobacco businesses of Compagnie Financière Richemont AG, Rothmans International plc and Dunhill Holdings PLC, comprises the luxury goods businesses formerly controlled by those three groups. Vendôme, whose units have been quoted on the London Stock Exchange since the reconstruction became effective on 25th October, 1993, controls the Cartier, Alfred Dunhill, Montblanc, Piaget, Baume & Mercier, Karl Lagerfeld, Chloé, Salfer and Hackett luxury groups.

The Boards of Directors of Vendôme announce the following unaudited pro forma results for the six months ended 30th September, 1993.

Financial Highlights in Swiss Francs			
	1993	1992	
Turnover	1,169.4 m	1,168.3 m	+ 0.1 %
Operating profit	201.0 m	186.9 m	+ 7.5 %
Profit before Taxation	232.8 m	213.9 m	+ 8.8 %
Profit attributable to Unitholders	185.5 m	155.6 m	+ 19.2 %
Earnings per Unit	0.266	0.223	+ 19.2 %

Financial Highlights in £ Sterling at average rates			
	1993	1992	
Turnover	524.4 m	454.6 m	+ 15.4 %
Operating profit	90.1 m	72.7 m	+ 23.9 %
Profit before Taxation	104.4 m	83.2 m	+ 25.5 %
Profit attributable to Unitholders	83.2m	60.5 m	+ 37.5 %
Earnings per Unit	0.119	0.087	+ 37.5 %

The results, which have been compiled on a pro forma basis to reflect the fact that Vendôme did not trade as a single entity prior to 25th October, 1993, have been adjusted in order to harmonise the accounting policies of the group's subsidiaries.

Copies of the interim report can be obtained from: Vendôme Luxury Group PLC, 50 Jermyn Street, London SW1Y 6DL. Vendôme Luxury Group SA, 24-26 Avenue de la Liberté, L-1930 Luxembourg.

British Bio-technology losses widen to £8.8m

By Tim Burt

British Bio-technology, the pharmaceutical group, yesterday announced losses of £8.8m for the six months to October 31, against £4.72m.

The company blamed the 87 per cent increase on escalating costs of developing a new generation of anti-cancer and anti-Aids drugs.

Mr James Noble, finance director, said the results were within budget but warned that further losses were inevitable as the company continued clinical trials of drugs which would not go on sale for at least three years.

The range of drugs being tested by the company includes new treatments for

cancer, HIV, acute shock and asthma.

Mr Noble claimed most biotechnology companies incur losses while they develop such drugs, and British Bio-technology was no exception.

The results also included second quarter figures which showed turnover, on continuing operations, of £693,000 (£1.2m). Losses amounted to £4.61m (£1.83m) and losses per share worked through at 12.7p (5.1p).

Losses are expected to worsen next year with the launch of clinical trials in the US.

These trials will be conducted by a new subsidiary in Maryland which will oversee drug development and seek

regulatory approval in the US.

"We're moving into the most expensive stage of development and we will need to raise more money," Mr Noble said.

The company expects to make a share placing in 1994 and hopes to forge alliances with large pharmaceutical manufacturers to cover development costs of its patented drugs.

Turnover for the six months declined from £3.9m to £2.83m, mainly reflecting the disposal of British Bio-technology Products, its research reagent and assays subsidiary, which was sold in July to Technic Corp of the US.

Interim losses per share widened from 14.3p to 24.3p.

Field grows by 14% to £6.8m

By Maggie Urry

Field Group, the folding carton company which floated on the stock market in July, yesterday reported interim results showing a 14.4 per cent rise in pre-forma pre-tax profits to £6.8m - in line with expectations.

The interim dividend is set at 2.3p, an 8 per cent rise on the dividend the group indicated it would have paid had it been public last year.

The shares rose 8p to 273p, compared to the float price of 250p.

Mr Keith Gilchrist, chief executive, said that the high level of promotional activity by customers such as supermarkets - which adversely affects Field's business by shortening runs - had not eased as hoped. Maren, the Belgian subsidiary, had been affected by the economic slowdown in continental Europe, although it had recently won two new contracts worth £1.5m.

However, the group's Portsmouth factory had beaten expectations on its tobacco packaging machine, installed

in February.

Mr Gilchrist said recovery in the UK was still slow and fragile, but there were signs of improvement further ahead. For instance, orders for Easter egg packaging next year were not imaginative, but designs for Easter 1995 now being discussed were revealing a greater desire for innovation from customers suggesting, he said, "marketeters are less constrained by accountants".

Pressure on selling prices had been balanced by raw material price reductions and through cost cutting. Turnover growth in the half to October 3 was 10.5 per cent to £75m, although volume growth was higher than that.

Operating profits rose 10.7 per cent to £6.8m, including £205,000 from the packaging business bought from Boots in July. Pre-forma interest charges fell to £176,000 (£390,000). The tax charge for the year is estimated at 26 per cent. Earnings per share were 8.5p (7.5p) on a pro-forma basis. Despite the £5.7m acquisition of the Boots business, net debt was £1m.

Northamber cuts first half deficit to £54,000

Reduced pre-tax losses of £54,000 were announced by Northamber, the supplier of computer hardware and software, for the half year to October 31. Losses last time were £496,000 restated.

Mr David Phillips, chairman, said the result reflected the benefit of the closure of Studley in Ireland, which lost £258,000 in the first half last year and more than £1m in the full year.

On trading he said that competition continued to intensify and gross margins declined again in the period.

It was clear, he stated, that the 1993-94 year could be another difficult year for the sector.

Turnover improved to £45.7m compared with £45.3m which included £2.05m from discontinued operations. Losses per share were 0.3p (2.2p).



Trevor Osborne: to be chairman of new joint venture facilities management company

Osborne back into property

By Catherine Milton

Mr Trevor Osborne, former chairman of Speyhawk, the debt-strapped development company which went into receivership in May, yesterday took another step back into the property world with the launch of a facilities management company.

The new concern, Building and Property Group, is a joint venture formed by Amec, the UK construction company, and Pell Frischmann, the international engineering consultancy.

BPG paid the UK government £10.4m for two former Property Services Agency businesses,

Building Management South East and Building Management South & West.

Mr Osborne, brought in to chair the company through Pell Frischmann, claimed the joint venture is the UK's largest facilities management company, with pre-tax profits forecast at £20m for the year to March 1994 on sales of £45m.

Unkindly dubbed "Clever Trevor", Mr Osborne, one of the best known figures in the UK property industry, is anxious to put the unhappy experience of Speyhawk behind him. At the time of the receivership 46 banks were owed more than £350m secured on assets of £200m. Mr Osborne said: "Building and Property is the story - not me."

Gibbs Mew ahead to £1.6m as cask ale sales jump 25%

By Graham Deller

Gibbs Mew, the Salisbury-based brewer and commercial property company, has built upon the revival shown in last year's second half. The USM-quoted group yesterday reported a marked improvement in profits and earnings per share and its first increase in the level of interim dividend since 1990.

Profits before tax for the six months to October 2 amounted to £1.6m, against £317,000 in

the corresponding period and £1.17m for the last full year. Comparisons were restated for FRS 3.

Mr Tom Hedderson, appointed non-executive chairman in October following the death of Mr Peter Gibbs, who had headed the company since 1967, said the group had "produced real growth and profit despite economic and trading conditions that remain extremely fragile and exceptionally competitive".

The increase, he said,

reflected the integration of UK D and the move away from high volume low margin business. Turnover totalled £18.4m (£11.3m); adjusted for UK D sales, however, the figure fell by some £1.5m.

The brewery division was the main engine of growth with volume sales of cask-conditioned ales ahead by some 25 per cent.

The interim dividend is raised 25 per cent to 3.75p (3p), payable from fully diluted earnings of 16.99p (2.44p).

RICHEMONT

RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1993

The Board of Directors of Compagnie Financière Richemont AG announces the following results for the period ended 30 September 1993.

Financial Highlights			
	1993	1992	
Net Sales Revenue	£ 1,744.0 m	£ 1,540.3 m	+ 13.2 %
Operating profit	£ 294.0 m	£ 267.8 m	+ 9.8 %
Profit before Taxation	£ 310.9 m	£ 283.1 m	+ 9.8 %
Profit attributable to Unitholders	£ 96.6 m	£ 94.5 m	+ 2.2 %
Earnings per Unit	£ 16.82	£ 16.46	+ 2.2 %

Operating profit at £294.0 million was 9.8% higher than in the corresponding period last year. This reflected increases reported by Richemont's principal subsidiaries, Richemont International and Vendôme Luxury Group. Both reported increases in operating profit, largely due to cost savings and the benefits of the weakening of sterling. Richemont's operating profit was adversely affected, however, by costs associated with the development of the Group's media interests.

On 23 October 1993 the restructuring of Richemont's tobacco and luxury goods interests was completed. In consequence, the structure of the Group has been simplified and management of the luxury goods companies centralised in Vendôme. Richemont's tobacco interests are held through Richemont International, the units of which are quoted on the stock exchanges of Amsterdam and London. The Group's luxury goods interests are held through Vendôme Luxury Group, the units of which are quoted on the stock exchange in London and which will, in due course, also be quoted in Luxembourg. Vendôme controls the Cartier, Alfred Dunhill, Montblanc, Piaget, Baume & Mercier, Karl Lagerfeld, Chloé, Sulka and Haerker groups.

In order to ensure the comparability of results between those reported by Richemont and those of its two principal operating groups, the results for the six-month period ended 30 September 1992 have been restated to reflect the adjusted comparative figures reported by Richemont International and the pro-forma comparative figures reported by Vendôme for that period.

Copies of the interim report of Richemont may be obtained from: Compagnie Financière Richemont AG, Rigistrasse 2, 6300 Zug, Switzerland. Telephone: (042) 22 33 22. Telefax: (042) 21 71 38.

Richemont International Limited, 15 Hill Street, London W1X 7FB. Telephone: (071) 499 2539. Telefax: (071) 491 0524.



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INTERIM RESULTS 1993

"Johnson Matthey had a good first half.... led by an excellent performance from Materials Technology Division"

DAVID DAVIES, CHAIRMAN

KEY FIGURES	1993	1992	change
Operating profit	£37.9m	£32.5m	+17%
Profit before tax	£35.1m	£33.2m	+6%
Earnings per share	14.6p	12.1p	+21%
Interim dividend	3.4p	3.2p	+6%

Johnson Matthey

WORLD LEADER IN PRECIOUS METALS TECHNOLOGY

For a full copy of the Interim Results, please contact: The Secretary, Johnson Matthey Plc, 2-4 Cockspur Street, London SW1Y 5BQ.

The contents of this advertisement, for which the Directors of Johnson Matthey Plc are solely responsible, have been approved for the purpose of section 57 of The Financial Services Act 1986 by an authorised person.

The financial information given above does not constitute statutory accounts.



DAIRY CREST LIMITED - INTERIM RESULTS

- Operating profit from continuing operations up 14% to £17.7m.
- Turnover from continuing operations marginally increased to £412m.
- Profit before tax 28% ahead at £17m.
- Net borrowings in the half year down from approximately £70m to under £7m resulting in gearing falling from 33% to 3%.

	SIX MONTHS TO SEPTEMBER 1993	SIX MONTHS TO SEPTEMBER 1992
Turnover - Continuing operations		
Consumer Foods	156.3	131.6
Food Services	255.9	277.1
	412.2	408.7
Operating Profit - Continuing operations		
Consumer Foods	9.2	6.6
Food Services	8.5	8.9
	17.7	15.5
Profit before tax	17.0	13.3

Dairy Crest Limited, Dairy Crest House, Portsmouth Road, Surbiton, Surrey KT6 5QJ.

The contents of this advertisement, for which Dairy Crest Limited is responsible, have been approved by J. Henry Schroder Wagg & Co. Limited, a member of the Securities and Futures Authority, for the purposes of Section 57 of the Financial Services Act 1986.

Car catalyst side casts shadow over mid-term performance

Johnson Matthey improves 6%

By Kenneth Gooding,
Mining Correspondent

Johnson Matthey, the precious metals technology group, lifted profits before tax by 6 per cent from £33.2m to £35.1m in the six months to September 30 1993.

The interim dividend goes up from 3.2p to 3.4p.

Mr David Davies, chairman, said the group had performed well.

The result was widely predicted but analysts came away from a meeting with management disappointed by the performance of the car catalyst business, where turnover was up only 2 per cent, and the share price dipped 3p to 496p in an otherwise rising market.

Some analysts also suggested

that JM had been a good defensive stock in the recession but was unlikely to gain as much as other companies from the recovery.

Earnings per share rose 21 per cent, from 12.1p to 14.6p, after a one-off £3.7m saving on ACT from the group's enhanced scrip dividend alternative.

Mr Davies gave little away about the second half.

He said there were some "encouraging" signs of growth in the US economy but recovery in the UK remained fragile and JM was experiencing poor conditions in other European markets.

Platinum group metals prices are important to JM because it takes a percentage commission from Rustenburg of South Africa.

Mr Davies pointed out that, although rhodium prices had recovered from their lowest levels, "any significant improvement in platinum group metals prices is unlikely without sustained economic recovery."

The materials technology division provided the highlight of the half-year and continued its recovery with a 53 per cent improvement in operating profit to £13.5m.

Operating profit at the catalytic systems division was slightly ahead at £13.2m; in the colour and printing division it was up 19 per cent at £5m, while the precious metals division's operating profit was down by £400,000 to £16.1m.

Mr Davies revealed that, after a successful two-year collaboration, JM had signed a

license agreement with Sandoz Pharma, the Swiss group, for a class of anti-viral compounds which have a novel mechanism of action against the virus that causes AIDS.

The compounds were identified at JM's biomedical research facilities and have been patented.

Mr Davies also pointed out that, although 50 per cent of JM's profit was earned outside the UK, where it is based, only a small proportion was earned in the growth markets of Asia.

The company was attending to this: a £25m facility had been opened in Japan and the group was "well down the road" towards establishing a car catalyst manufacturing plant "somewhere in south-east Asia."

Anglo United reduces deficit to £6.5m

By Katrina Lowe

Anglo United reported a sharply reduced pre-tax loss of £6.5m for the six months to September 30, helped by a "significant recovery" in its Coalite smokeless fuel business.

On sales from continuing operations of £236m (£244m), profit before interest was £5.7m, against a £6.4m loss in the comparable period.

Interest payable of £12.2m (£18.2m) meant that losses at the pre-tax stage narrowed from £22.6m to £6.5m.

The results for the first half of 1993 were hit by the £11.2m costs connected to its bank restructuring, abortive disposals and loan write-offs.

Mr Harold Cottam, chairman, said that in the period

under review efforts had been focused on improving divisional performance.

The £2m profits advance to £4.8m in the smokeless fuels division had been achieved mainly through cost reductions. These had offset reduced demand for coal from electricity generators and for the various industrial services provided to British Coal.

Lower demand from agro-chemical producers hit the liquid fuels and chemicals division, which had an operating loss of £400,000 (£200,000).

Mr Cottam said operating profits from other businesses rose to £1.3m (£1.2m), excluding Dundee, Perth & London Shipping, sold in March.

Losses per share were cut to 0.8p (7.1p).

Alexander & Alexander buys actuarial firm

By Richard Lapper

Alexander & Alexander Services, the US-based international insurance broker, is to acquire Clay & Partners, one of the UK's biggest actuarial firms.

A&A paid Clay's partners with 2.7m shares of A&A common stock, valuing the firm, which provides employee benefits and related consulting services to corporate clients, at \$40m (£27m).

The deal is A&A's biggest since it acquired Reed Stenhouse in 1985 and signals growing interest among international insurance brokers in the skills of actuaries, which are increasingly important in commercial insurance and linked consultancy business.

The world's biggest broker, Marsh & McLennan, acquired William M. Mercer, the UK's biggest firm of actuaries, in 1986.

Clay employs 90 qualified actuaries, ranking third equal in size in the UK with Bacon & Woodrow. Its practice complements the more regionally diversified consultancy business of Alexander Consulting Group, the A&A consulting subsidiary.

Mr Brian Kennedy, chairman and chief executive of A&A in Europe, said the new business - Alexander Clay & Partners - will be made up of 650 professional and support staff.

He said Clay's "actuarial strength" complements A&A's existing human resources management consulting services.

Acquisition costs cut Cape to £6.1m

By Tim Burt

Cape, the building products and industrial services company, reported pre-tax profits down by 6 per cent to £6.1m in the six months to September 30, against £6.5m.

The company blamed interest payments of £800,000, compared with receivables of £100,000. Net borrowings at the period end were £5.5m following the £8.5m acquisition in January of Darchem Contracting.

Group operating profits rose 4.5 per cent to £5.7m. The figure was after a £1m loss at Socap, the French insulation business.

The loss followed an investigation which discovered that the subsidiary's profits had been overstated.

Mr Michael Farebrother, chief executive, said yesterday: "The management responsible for the problems in the French company have been dismissed."

Socap's activities have been cut and the workforce reduced by 100.

The financial mis-statements were corrected by a £5.9m adjustment to shareholders' funds in the balance sheet to March 31, he added.

Socap's poor performance contributed to a 20 per cent decline in operating profits of the industrial services division to £2.3m. Turnover fell 10 per cent to £83.6m.

The problems were offset by the building and architectural products division, where operating profits rose from £3.2m to £4.1m and turnover increased £300,000 to £35.3m. Cape's results were also held back by a £200,000 increase to £800,000 in the compensation provision for former workers suffering from asbestosis.

Group turnover declined by 7 per cent to £118.9m (£127.9m). The interim dividend is maintained at 3p, payable from earnings per share down from 8.2p to 7.6p.

Rowlinson Secs doubles to £1.1m

Rowlinson Securities, the Cheabire-based property group, doubled first half profits from £515,000 to £1.1m pre-tax in the six months to September 30.

Gross rental income was £1.87m (£1.68m).

Earnings per share were 5.96p (2.76p). The interim dividend is held at 0.24p.

GWR shows sharply lower loss of \$9m

Great Western Resources, the US-based oil, gas and coal company which almost collapsed last year following litigation with its largest customer, announced pre-tax losses of \$9m (\$8m) for the year to September 30, against \$47.4m.

Total revenues advanced to \$123m (\$74.9m) with revenue from coal at \$97m (\$45m). Costs and expenses increased from \$122m to \$132m and included a provision of \$3.6m for settlement of litigation.

Losses per share were 8 cents (52 cents).

Armour Trust litigation withdrawn

Agreement has been reached to settle litigation between Armour Trust, Random Investments of Jersey and Mr Cyril Freedman, a former director of Polco Products and Polcon.

Under an agreement dated October 1985, Armour Automotive Group acquired Polco and Polcon and agreed to buy Random's holding at fair value.

Armour will acquire Random's holding of AAG loan stock for \$49,323 and will issue 103,000 shares to fund the purchase of Random's 2.75 per cent stake in AAG.

FT-SE Actuaries Indices: company sub-sector reassignments

Company	from sub-sector	to sub-sector
AG Holdings	516 Other Businesses	282 Paper & Packaging
Albert Fisher Group	440 Retailers & Wholesalers, Food	330 Food Manufacturers
Amberley	518 Other Businesses	222 Building Materials
American Express	710 Banks	772 Financial, Other
Barbour Index	461 Business Support Services	436 Publishing
Benchmark	710 Banks	792 Property
Blenc	512 Pollution Control	264 Engineering, Contractors
Bridgend Group	772 Financial, Other	412 Dist of Ind Components & Equip
Bulbough	252 Electrical Equipment	265 Engineering, Diversified
Burton Group	464 Retailers, Chain Stores	452 Retailers, Multi-Department
Business Support Group	414 Distributors, Other	481 Business Support Services
Capital House	97 Currency Funds	94 Offshore Inv Comp & Fund
Computer People	482 Educ, Bus Train & Emp Agencies	487 Computer Services
Dart Group	414 Distributors, Other	490 Transport
Faber Plast	222 Building Materials	414 Distributors, Other
Fen Gellon	734 Insurance Composite	772 Financial, Other
First National Fin. Corp	772 Financial, Other	710 Banks
Forward Technology Inds	422 Leisure	253 Electronic Equipment
Gerrard & National	774 Discount Houses	772 Financial, Other
Goode Durant	413 Vehicle Distributors	490 Transport
In Shops	454 Retailers, Chain Stores	792 Property
Ladbroke Group	422 Leisure	424 Hotels & Caterers
Mitsubishi Corp	97 Currency Funds	240 Diversified Industrials
Northern Telecom	620 Telecommunications	253 Electronic Equipment
Powell Duffryn	490 Transport	240 Diversified Industrials
Rentokil	512 Pollution Control	461 Business Support Services
Rhino Group	422 Leisure	454 Retailers, Chain Stores
Rodime	772 Financial, Other	518 Other Businesses
Salvesen (Christian)	414 Distributors, Other	451 Business Support Services
Seas	452 Retailers, Multi-Department	454 Retailers, Chain Stores
Seers Engineering	282 Engineering, Fabricators	255 Engineering, Diversified
Standard Platforms	412 Dist of Ind Components & Equip	487 Computer Services
Stat-Plus Group	454 Retailers, Chain Stores	461 Business Support Services
Time Warner	436 Publishing	422 Leisure
Tokux	778 Investment Companies	772 Financial, Other
Vega Group	481 Business Support Services	487 Computer Services
Verity Group	422 Leisure	253 Electronic Equipment
Warner Howard	486 Laundries & Cleaners	461 Business Support Services
Waverley Mining Finance	800 Investment Trusts	129 Mining Finance
Whitney	283 Engineering, Specialty	240 Diversified Industrials

Swiss Re

Swiss Reinsurance Company 1993 Capital Transactions

Split of shares and conversion of participation certificates

Split	1 existing registered share (nominal value Sw. frs. 100) into 5 new registered shares (nominal value Sw. frs. 20)
	1 existing bearer share (nominal value Sw. frs. 100) into 5 new bearer shares (nominal value Sw. frs. 20)
Conversion	1 participation certificate (nominal value Sw. frs. 20) into 1 new registered share (nominal value Sw. frs. 20)
Reference date	2 December 1993 (start of trading for the new securities)
Capital increase with subscription offer	
Subscription ratio	1 new registered share (after split) for 2 existing registered shares (before split) 1 new bearer share (after split) for 2 existing bearer shares (before split) 1 new registered share (after split) for 10 existing participation certificates
Subscription period	2 to 16 December 1993, noon
Subscription price	Sw. frs. 475.- net for each new registered share or bearer share (nominal value Sw. frs. 20)
Payment date	28 December 1993
Issue of "A" and "B" shareholder warrants	
Allocation ratio	5 "A" and 5 "B" shareholder warrants for each existing registered share (before split) 5 "A" and 5 "B" shareholder warrants for each existing bearer share (before split) 1 "A" and 1 "B" shareholder warrant for each existing participation certificate
Qualifying date	2 December 1993
Warrant rights	20 "A" or 20 "B" shareholder warrants entitle the holder to purchase 1 new registered share with a nominal value of Sw. frs. 20 (after split)
Exercise periods	For "A" shareholder warrants: From 2 December 1993 up to and including 14 October 1994, 4.00 p. m. For "B" shareholder warrants: From 2 December 1993 up to and including 30 June 1995, 4.00 p. m.
Exercise prices	For "A" shareholder warrants: Sw. frs. 525.- For "B" shareholder warrants: Sw. frs. 550.-

For additional information regarding Swiss Re, its business and financial results, please refer to the German, French or English full prospectus which is available at the banks mentioned below.

Zurich, 2 December 1993

Union Bank of Switzerland
Cantonal Bank of Zurich

Credit Suisse

Swiss Volksbank

Swiss Bank Corporation
Bank Leu Ltd

Using numbers:	existing	new
Registered shares (nom. value Sw. frs. 100)	164,717	164,717
Bearer shares (nom. value Sw. frs. 100)	164,717	164,717
Participation certificates (nom. value Sw. frs. 20)	164,717	164,717
New registered shares (nom. value Sw. frs. 20)	164,717	164,717
New bearer shares (nom. value Sw. frs. 20)	164,717	164,717
"A" shareholder warrants	164,717	164,717
"B" shareholder warrants	164,717	164,717

مكتبة الجليل

INTERNATIONAL FUND MANAGEMENT

Thursday December 2 1993

International fund managers have enjoyed buoyant conditions in most markets, with bonds largely leading equities upwards. A general downward trend in short term interest rates has created a benign framework for the capital markets. Barry Riley reports

US investors back in the driving seat

It has been a year in which the US has once again come to dominate the global investment scene. Upstart rivals such as Japan and Europe have faced acute domestic problems and have retreated before the tidal wave of money - aggregating nearly \$50bn during just the first half of 1993 - which has left the US and flooded into the global equity and bond markets.

One corporate event may symbolise this new phase of American domination: the decision by the troubled German motor giant Daimler-Benz to list its shares in New York in October, and to agree to publish amended financial statements which comply with the US generally accepted accounting principle (GAAP).

Not very long ago, it was countries such as Germany and Japan that were effectively writing the rules on the back of heavy capital outflows. However, Germany has stumbled under the burden of reunification and its capital surplus has faded away. Japan, meanwhile, is still fighting its long battle against debt deflation and the aftermath of the bubble economy of the 1980s.

The Japanese economy is in deep recession. One consequence is a large balance of payments surplus that has helped to push the yen exchange rate to extreme heights. Instead of sending more capital abroad and risking currency losses, Japanese investors are keeping their heads down.

As for the UK, for much of the 1980s a disproportionately important participant in the global securities markets following the 1979 abandonment of foreign exchange controls on portfolio investment, the institutional allocation to overseas assets appears to have peaked out, with the typical pension fund having an exposure of almost 30 per cent.

How big are these international securities markets? We are dealing in international telephone numbers here, but the IMF estimates that the value of publicly-traded debt and equity around the world is of the order of \$24,000bn. Some \$14,000bn of this is managed by investment institutions and a different agency, the United Nations, has calculated that \$2,500bn is held on a cross-border basis.

There are different theories about the right degree of international exposure. Some arguments are based

on concepts of diversification, through which a better balance of risk and return can be obtained so long as the different national markets have only a low degree of correlation. Others are based on matching theories, so that the appropriate international exposure for a pension fund, for example, is linked to the proportion of imports in the basket of goods and services that the future pensioner can be expected to consume.

Whatever the details of the logic, the broad brush conclusion is that overseas diversification is more important in a small, open economy than in a large, closed one where a broad range of investment opportunities is available in the domestic markets.

Strategic judgments are subject to tactical modifications, however. The impetus of the current US portfolio outflows has been derived from perceived declining value for money in US securities markets. Long Treasury bond yields fell below 6 per cent at one stage this year, prompting an intensified search for higher returns elsewhere. Dividends and price-earnings ratios on US equities have been at histor-

cally unattractive levels, again leading to a renewed inspection of international opportunities.

Some of the effects have been quite strange. US pension funds have found it hard to invest in domestic bonds which meet their actuarial return requirements, and so they have been buyers of substantial volumes of Latin American and other Third

figures. Most of the top-performing mutual funds earlier in the year were international specialists, and investors have recently been putting nearly half of their new money into overseas stock and bond funds in the hope of capturing extra performance.

Although American investors have stayed light in Japanese equities, which they have judged to be still very overval-

markets has created substantial opportunities for US-based investment management firms to develop their international business.

This is putting competitive pressure on some of the London managers who have until now been able to exploit a reputation for global skills almost unchallenged.

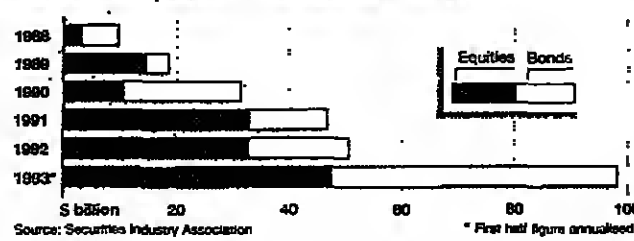
US pension plan sponsors, for instance, find it less necessary to hire their global specialist expertise in London than they used to.

London remains a leading centre for global equity management, however. According to Technometrics, which runs an investment management database, equities worth \$530bn were managed out of London at the end of last year, almost as much as the \$580bn of equity portfolios being run in New York. Boston came some way back with \$270bn.

Given the much higher overseas weightings in the London portfolios - probably 30 per cent against 7 per cent in the US - the role of London is considerable, especially when hacked up by the \$110bn or so controlled in Scotland.

The biggest centre of equity fund management by far is

US net purchases of foreign securities



World debt. It is not clear whether they understand all the risks they are taking - although probably such securities should be seen as replacing domestic junk bonds rather than US Treasuries.

US mutual fund investors, meanwhile, have been drawn overseas for straightforward reasons by the performance

of (correctly, on the basis of the very latest tumble by the Tokyo market), they have been active in driving up stock prices in Continental Europe and many less developed countries (or emerging markets, as they are somewhat tentatively named).

The greatly strengthened US interest in global securities

actually Tokyo, with funds of nearly \$1,400bn, but this again is very much an inward-looking centre: its US and European equity assets of some \$80bn at the end of 1992 were less than half the size of the corresponding portfolios run in London.

With bonds the picture is rather different. There is a lot of expertise in bond fund management in Continental Europe, in centres such as Frankfurt and Zurich, although London has been rapidly developing its skills in this area too.

In some respects the management of global bond funds is easier to organise than global equities. Economic and political data can be gathered into a single location and analysed according to a consistent framework.

Equities are more difficult, because local information still counts for a lot, especially in emerging markets where information may be poorly distributed and where pricing may well be inefficient.

Managers in London have too often attracted criticism for poor performance in the US and Japan. The obvious solution is to set up overseas sub-

IN THIS SURVEY

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sidary operations which have their ears close to the ground. But this is often not a satisfactory answer either, because global networks can be difficult to manage, and expensive.

For a big institution, the better the quality of the people in local centres around the globe, the more difficult it is likely to be to maintain central control of the strategic asset allocation process.

No magic formula has been found for international fund management. There are still plenty of opportunities for small specialists, while at the other end of the spectrum the biggest institutions struggle with multi-office telecommunications hook-ups across the time zones to allow their various investment gurus to talk to each other.

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INTERNATIONAL FUND MANAGEMENT II

Bernard Gray reviews this year's equity performance in the main markets

Seeking undiscounted recovery

At the turn of the year, opinion on the main stock markets was almost unanimous: Europe was the place to be and France was the market most likely to perform.

Interest rate cuts had powered US equities in 1991 and UK shares in 1992, and so (the reasoning ran) falling rates would do the same for continental stock markets in 1993. France was favoured because it had come further through its recession than Germany. French interest rates would fall rapidly, either because the Bundesbank would cut rates or because France would leave the ERM. Once the rates fell, France was the European economy best placed to grow.

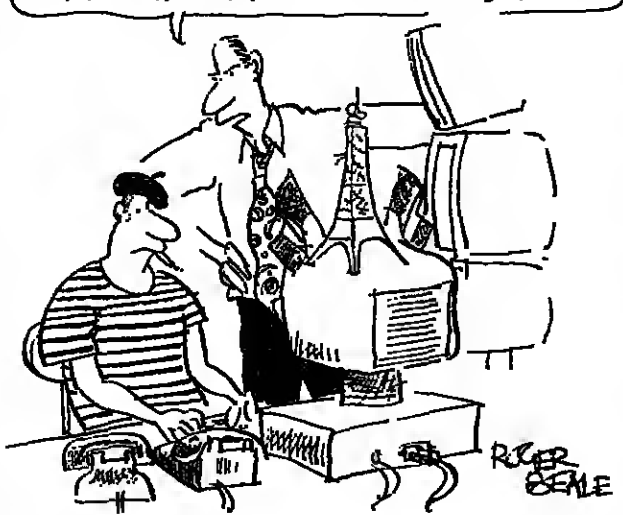
Events, of course, did not quite pan out that way. De facto, France has left the old ERM - but has continued to peg its monetary policy to Germany. As a result its recession has intensified. Small wonder, then, that Paris has not fulfilled the best hopes of the bulls. The CAC-40 index is up by 13 per cent, only slightly more than the 12 per cent gain for the FT-A All-Share index. More surprising, perhaps, is the performance of the market no one liked in January: the economic news from Germany has worsened over the year, yet the DAX index is up by almost a third.

Liquidity - particularly American liquidity - is the driving force behind the rally. Low deposit rates and falling US bond yields have tempted investors into equities. Mutual fund receipts are running at record levels, with some \$60bn a quarter flowing in. Yet despite hitting new highs, Wall Street has proved a dull performer and the S&P composite index has only risen by 7 per cent this year.

So about half of that money has flowed into markets where recovery prospects are not so heavily discounted. There has been heavy US buying of UK gilts, French OATs and, particularly, German bunds. Equities - their yields looking cheap by comparison - have followed.

Even more spectacular have been the gains in those Pacific Rim markets which benefit from booming regional economies and trade with China.

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European international equity management centres (Ranked by holdings of US equities)

	\$bn
London	50.2
Zurich	49.8
Geneva	31.7
Paris	18.1
Frankfurt	11.7
Basle	11.6
Edinburgh	9.4
Munich	7.9
Milan	4.7
Lugano	4.3

Source: Technometrics

Hong Kong equities are up by three-quarters, largely on the strength of US buying. The only market to fare poorly in the region has been Japan, which is up 1 per cent on the year thus far. It is saddled with deflationary forces, political instability and a rising yen: its problems will take years rather than months to resolve. The government's inability to agree a fiscal stimulus for the economy is further damaging shares.

The main worry now for most equity markets is the degree to which such a liquidity-driven boom can be sustained. "By the conventional measures of earnings ratios or absolute yields, shares look

expensive. In our model portfolio we have gone underweight in equities," says David Roche of Morgan Stanley.

Yet because the rally was led by a lowering of bond yields and reduced inflationary expectations, the ratio of bond to equity yields still shows most stock markets to be relatively cheap. Such yield ratios should be treated with some caution since they only give strongly reliable signals near extremes. But they do at least offer some comfort that equity valuations can hold so long as bond markets do not suffer.

Andrew Bell of BZW says that slow growth rather than renewed inflation is the greater threat. Markets may

thus be able to hold on to the gains of the last year. Even if inflation ticks up slightly in the US and the UK during 1994, real bond yields are still satisfactory by long run historical standards. Most countries still have substantial unemployment and output gaps, subduing inflation. Commodity prices also remain depressed.

More alarming is the prospect that growth will be too slow for companies to generate significant earnings increases. P/E ratios are high in all the important markets - and astronomical in many emerging ones. Many industrial managers continue to make exceptional provisions against further rationalisation, and trading statements are often downbeat.

Companies are also backing words with deeds. Rights issues are running at record levels in the UK and the new issue market is buoyant. Initial and secondary public offerings in the US are also running at high levels as the de-gearing of balance sheets continues. Companies are increasingly choosing to demerge or float out subsidiaries rather than make trade sales. The market is valuing prospects much more highly than most company directors. If these managers are right and earnings prospects are poor, then a correction may set in.

Set against that is the weight of money. Unlike some previous booms which relied on margin trading and borrowed funds, much of the cash coming into shares is as a direct transfer of assets from deposits to equities. That should help prevent panic selling, but it does raise the question of whether investors sufficiently appreciate the risks they run. A 3.5 per cent yield on equities may have more appeal than a 2 per cent return on cash while markets are rising, but when shares start to fall minds may change quickly.

The other risk is that US short term interest rates may start to rise, not because of renewed inflation, but because competition for capital will increase if the recovery gathers pace. David Roche of Morgan Stanley thinks that the US economy may expand by

Equity fund management Top global centres

End 1992	\$bn
Tokyo	1367
New York	584
London	533
Zurich	333
Boston	288
Geneva	211
Paris	189
San Francisco	171
Frankfurt	152
Los Angeles	141
Philadelphia	110
Chicago	102
Toronto	96
Edinburgh	89
Hatfield Ct	77
Hong Kong	67
Houston	55
Basle	49
Montreal	47
Atlanta	47

Source: Technometrics

almost 4 per cent next year, and with savings low, funds for investment may be low. If that happens the flow of US money out of international equities would be hard to replace.

Ironically, given how unpopular it was earlier this year, Germany may be the market best able to cope. Bond yields in that country may have further to fall, and the extensive retrenchment pro-

The problems of Japan, and the slow recovery in the continental economy, will make it hard for equities

gramme needed may make its capital goods exports industries competitive. The UK and US markets may also be relatively successful, if modest performers, next year. But the seemingly intractable problems of Japan, and the slow recovery in the continental economy, will make it hard for equities to make substantial gains in those markets.

Overall, equities are caught between the risk of slow worldwide growth producing disappointing earnings, and stronger US growth sucking funds back into America. The difficulty for investors now is in deciding how far they dare ride the liquidity wave before it hits the beach.

Barry Riley examines emerging markets

From Brady to Beijing

In September Morgan Stanley, the New York-based investment bank, led a tour of American and European institutional investors to China. A subsequent huge surge in Hong Kong share prices, as Morgan Stanley's investment strategists sharply raised their target weightings, symbolised the power of the flows of funds now moving around the globe, with an impact especially on the so-called emerging markets.

The key conclusion - according to a subsequent 80-page report, exclamationally entitled "China" - was that "investing in China's future will be the world's most profitable investment opportunity for the next 10 years".

History may well show that the hype associated with the Morgan Stanley trip marked a temporary peak in the fortunes of the Hong Kong market. By mid-November Morgan Stanley was reducing its weighting again, apparently taking something less than a ten-year view.

Investors in emerging markets are seeking high returns to offset the generally high risks, and after a prosperous few years they are confident that the rewards are there. For instance, as Mr John Mullen of the Federal Reserve Bank of New York points out in a recent study, annualised equity returns averaged more than 20 per cent over the years 1976-92 in Argentina, Chile, Mexico, South Korea and Thailand. Developed country returns, in comparison, were in the 14-17 per cent range over the same period.

The current emerging markets boom reflects the coincidence of two, maybe three, favourable trends. There has been a general outflow of capital from the US, partly reflecting greater international diversification by pension funds and partly, also, a search for value by mutual fund investors who have embarked on an unprecedented shift towards international bond and equity funds.

Second, the developed markets happen to have become relatively unappealing. Economic growth in Japan and Continental Europe is currently zero or even minus something. In many countries, bond interest rates have slipped to levels not seen for many years, and US pension funds are having trouble in reaching their actuarial rate of return targets by investing in conventional US Treasury or corporate bonds. For example, each 1 percentage point fall in bond yields increases the deficit of General Motors' pension plan by \$5bn-\$6bn.

The focus of global investors has therefore shifted to developing countries, where economic growth rates are still high - often 6 per cent a year in Latin America and parts of the Far East. Indeed, there is a fashionable theory that the economic momentum of south east Asia is now strong enough - especially as a source of cheap manufactures - to be causing a realignment of the global economy.

The emergence of China is a key element in this argument. India and Indonesia, with big populations, also have great potential. If relatively small nations such as South Korea, Taiwan, Singapore and Thailand could create a significant impact, how much more dramatic

will the changes be when the giants of the region really get going?

Hence the theories of investment strategists that global equity investors should search for growth in these fast-expanding emerging markets, while the uncompetitive developed world will be troubled by price deflation and economic depression (although developed country bond prices may benefit from low inflation).

The third factor that has encouraged investment in emerging markets relates to a rather less specific way to favourable political developments. Many Third World countries have dumped socialism and adopted market-oriented policies much more acceptable to international investors.

This trend has not yet done much to encourage flows of capital into Eastern Europe or Africa, where the political obstacles are judged to be too great for the time being. But Latin America has benefited tremendously, and is currently receiving large flows of capital from the US.

After the protracted insolvency crisis of the 1980s, most Latin American countries are now regaining their creditworthiness, especially after the Brady-type debt restructurings. For instance, American investors bought \$1.4bn worth of Mexican bonds in 1992 - and stepped that up to \$2bn in the first half of 1993. Bigger sums still are involved in equities - but the political and financial frameworks of many countries remain fragile.

So risks remain, but investing in emerging markets is no longer primarily the occupation of pioneers - the kind of lone prospectors who would fly into Bangkok or Santiago, aiming to be the first foreigner investors in town.

A global infrastructure is being built, so that today international equity and bond placements are quite frequently made by developing countries. Privatisation issues have featured strongly, and provide the kind of large scale and solid corporate investments that are favoured by mainstream global investors. For example, Telemex raised \$1.2bn in 1991, with a listing on the New York stock exchange, and such placements reached some \$5bn in 1992.

Mr Martin Quintin-Archard is managing director of emerging market debt trading at InterCapital Brokers, the London firm. "We sell Mexican CDs to Danish pension funds," he says. "It's a completely global business. We sell Peruvian debt to the Singaporeans."

Nevertheless, once investors move outside a narrow group of large, relatively liquid issues, they still need to tread carefully. Share prices can be volatile, financial reporting may be primitive or even fraudulent. Overseas investors may be confined to less-attractive classes of share capital, or cut out of attractive new issues. The quality of research will also be poor, although some investors see this as an advantage as it implies that emerging markets can be very inefficient, thus offering attractive opportunities if you know what you are doing.

Growth, however, now so hard to find in developed markets, is the fundamental attraction.

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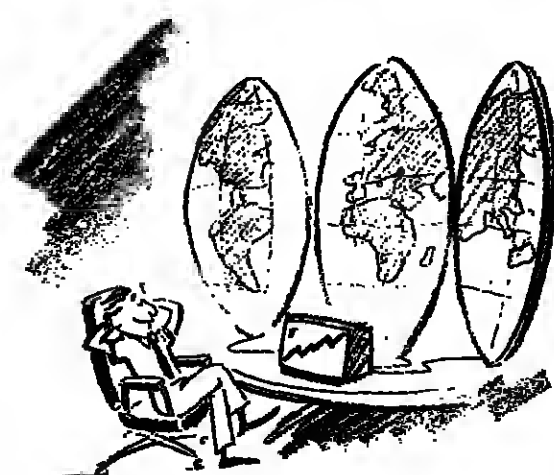
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As the crisis in the property sector diminishes, Christine Moir finds the market in better shape

Well placed to out-perform market

All the main property markets have been in crisis in some degree over the past three years.

Falling rents and demand, over-supply from the development boom of the late 1980s, recessionary squeezes throughout the broad economy and structural problems in some centres have persuaded many investors to become net disinvestors in property.

But the corner may have been turned. According to Rick Lacaille of NatWest Investment Management's property team: "The perception now is that there may be a risk in not being in property. Not that property assets will suddenly

There has been a savage correction in property values across the world

shoot ahead but the sector is now placed to out-perform steadily."

The price of that change in perception has been a savage correction in property values across the world.

Over the past year that painful process has been reinforced by falling interest rates. In those centres where the dual effect has been to produce a positive yield gap between property and fixed interest, investors are returning.

Evidence is still patchy. The UK Central Statistical Office (CSO) figures for the second quarter (the latest available) inspired a wave of investive

from property market professionals for suggesting that institutions had lapsed back into net sellers of £17m of property in the UK in the second quarter this year, after a spring flurry of net buying amounting to £156m.

Anecdotal evidence pointed to buying activity continuing to strengthen in the summer. But the two might not really be in dispute.

The Pru is typical in concentrating on its home market for the present. "We disinvested from Europe over the past few years and we are not planning to re-enter it. We don't feel we have sufficiently good information about the markets. In North America we are looking more actively, but we haven't done deals."

Nigel King, Salomon Brothers' head of European real estate, confirms that, for US institutions, cross-border activity has been a low priority recently. "There has been concern over currencies, the economic slow down and lease structures. On top of that, US institutions have been busy turning private pools of assets into public pools." This has mostly taken the form of repackaging property portfolios from failed savings and

loans operations as quoted Real Estate Investment Trusts (REITs).

Where US investors do look abroad, Mr King says, their first port of call is London. Beyond that their preferences are - in order - Paris, Frankfurt and Madrid.

US investors are not the only ones to turn their eyes first to London. As it becomes the first important market to complete the painful correction and offer positive rates of return compared with cash and fully priced equities, overseas investors remember the virtues of the UK's uniquely long leases

and upwards-only rent reviews. In the past couple of months, says Malcolm Naish, a fund management partner at Jones Lang Wootton, competitive bidding has returned to the London market. Interest has resurfaced from German, middle eastern and far eastern investors - witness last month's sale of the headquarters of the European Bank for Reconstruction and Development (EBRD), at No 1 Exchange Square, in the Broadgate development, to Deutsche Grundbesitz Investmentgesellschaft.

David Seddon, Mr Naish's colleague, confirms that London's restructuring is the most advanced of European centres. Price corrections elsewhere have not yet been completed. Nevertheless some markets are already reviving. In Germany, lotteries remain weak, but the investment side is buoyant, with local open ended investment funds sucking in DM1bn in the first nine months of 1993, compared with DM6bn for the whole of 1992. Since they must invest at least 50 per cent of income, domestic markets are now sure to be supported. Munich, Hamburg and Düsseldorf are likely to benefit first. Rents there have stabilised,

while in Frankfurt and Berlin rents are still falling back from the giddy peaks of post-union euphoria.

Demand is also picking up in the Benelux countries, where rent stability has also returned. Brussels, which showed exceptional growth from 1987 until last year, is beginning to be attractive again, especially to Scandinavian investors. The four main cities of the Dutch *randstad* have developed a positive yield gap over fixed rate mortgage money. Although they are dominated by Dutch institutions, these markets also

attract cautious international funds happy with the long history of rents matching inflation.

Opinion is most divided about Paris. No investment market to speak of has existed there for the past couple of years, yet many investors remain sceptical about whether the locals have got the message and reduced prices far enough. Others believe that the final correction cannot be far off, and that rents will bottom out by the end of this year. On this theory, France is the market for 1994, and a few institutions

are already fishing at the bottom, hoping for early worms.

Spain continues to present a less than attractive front, although prices have more than halved. Madrid is simply over-built outside its historic core, which is largely closed to commercial opportunities.

Rents in Barcelona, despite having fallen from Ptas4,500 to Ptas2,500 per sq m per month, may still not have bottomed out. And prices still produce a yield of 7.5 per cent at a time when cash offers 8 per cent to 9 per cent.

In short, Europe divides into two halves: the north already active and in some cases buoyant; inertia still ruling in France and Spain - though with France, perhaps, poised to hit bottom and bounce back. Everywhere, however, investors' appetite will only be maintained if interest rates remain below property yields.

Peter Montagnon reports on the foreign exchange markets

Volatility is likely to continue

anything, it's going to become more of an issue."

Thus it is no surprise that US fund managers should be expressing increasing interest in currency management techniques such as overlay, whereby currency and investment decisions are taken separately and appropriate hedging arrangements put in place for the latter.

A recent survey of US funds by Rogers, Casey, the Connecticut consultancy, shows more than half of them expected active currency management of their international investments to increase over the next three years, and 71 per cent expected currency overlay to reduce the volatility of these investments.

According to Mr Reza Viskai of Rogers, Casey, the appeal is enhanced by the perception that active currency management can add value to the portfolio. "You can actually enhance the return on your international investment," he says.

One way this can work is if investors change their hedge ratios as currency rates move, so that they increase their exposure to a strengthening currency and reduce it to a strengthening one. Some investors go further



and engage in active currency investment for its own sake, through the derivatives market. That increases the return compared with a conventional overlay which cannot use leverage, but it also increases the risk.

The slowly growing popularity of the latter approach to currencies is, however, an admission that currency decisions involve some active judgment. Using outside advice to put a currency overlay in place can provide comfort for the fund manager who does not wish to take full responsibility

for the impact of exchange rate movements, but it does not provide automatic protection.

Judgments are easier to make when currencies are moving in a clear long term trend. They are harder when the waters are simply choppy, as may be the case at the moment.

Nor is an active hedging policy easy to pursue in every type of investment. Emerging market portfolios are difficult to hedge, for example, because of the limited instruments available in individual currencies, and because high real short term interest rates in developing countries would often make hedging expensive. Indeed, the only currencies where hedging is easily available are the yen, the larger European currencies and the dollar itself.

Emerging market exposure can be hedged by using the dollar as a proxy for developing country currencies which are often linked to the US unit, but hedging by proxy can produce some nasty surprises, as some US investors found when the ERM collapsed.

While the ERM was holding together, the D-mark could count as a proxy for the smaller currencies in the system, which also, incidentally,

carried higher interest rates. It was thus tempting, if only on cost grounds, to use the D-mark to hedge exposure to, say, Irish pounds or Spanish pesetas. That looked a lot less sensible when the high interest rate currencies started to devalue.

Partly because they are more used to taking currency exposure as a matter of routine, UK fund managers remain less drawn to overlay theory. "Using currency tactically is something we do all the time, but it's part of the overall iterative process," says Mr Caroline Burton of GRE. She does not believe that it makes sense to separate the decisions on whether to have exposure in yen and whether to buy European bonds.

One important relationship, the sterling dollar rate, has been remarkably stable over the past year, but that does not mean currency management does not help.

Mr Tom Crombie of Scottish Equitable says that while the Japanese market may have room to rise, the yen's appreciation against sterling has probably just about run its course.

Low interest rates in Japan mean it actually saves money to hedge Japanese exposure against a fall in the yen. Scottish Equitable has covered half its exposure in this way. Clearly, it has also used the savings to buy an option that allows it to benefit if the currency continues to rise. That looks like the best of both worlds.

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INTERNATIONAL FUND MANAGEMENT IV

Net purchases of foreign equities by US investors	
January-June 1993	\$bn
European Union	9.2
Other Europe	2.3
Canada	2.6
Latin America	2.3
Hong Kong	1.8
Japan	2.3
Other	1.2
TOTAL	21.7

Source: Securities Industry Association

Net purchases of foreign bonds by US investors	
January-June 1993	\$bn
European Union	23.0
Other Europe	1.3
Canada	7.7
Mexico	2.0
Other Latin America	-5.3
Japan	-0.7
Other	-0.7
TOTAL	27.3

Source: Securities Industry Association

US cash has driven world markets this year, writes Richard Waters

Wall of money rolls on

US investors, led by the country's ballooning mutual funds, have provided much of the cash that has fuelled stock and bond markets around the world this year.

The question is now: when will this wall of money subside and what effect would a reversal have on the more overheated of the "emerging country" stockmarkets?

The move by US mutual funds to direct a larger proportion of their cash flow abroad is the latest twist in the search for higher yields which began

Industry Association. The demand has caused a rapid growth in some US-based mutual funds. Fidelity Investments, the Boston-based mutual fund group, has seen its six-year-old international growth and income fund jump from \$100m in March to \$1bn now.

It is all eerily reminiscent of the pre-crash market in 1987. Then, the perception that US asset prices had become overinflated encouraged funds to look for value - and higher yields - abroad.

The ebb and flow of interest of US investors in foreign markets is clearly seen in the rise and fall, and rise again, of some of the big foreign mutual funds.

Assets in Fidelity's main overseas fund, for instance, reached a record \$3.2bn in 1987, the year of the crash. By the end of last year, the fund had fallen back to just \$700-800m. This year's renewed interest, though - and the rising value of assets held in the fund, in dollar terms - has doubled it again, pushing the level back up to \$1.5bn.

One difference from 1987 has been the fact for emerging markets.

Last year, US investors bought a net \$5bn of shares in emerging markets, up from \$2bn the previous year, while total net foreign equity purchases remained constant at about \$30bn. In the first half of this year, emerging markets purchases reached nearly \$4bn

out of a total of \$20bn.

Mutual funds have not been the first, nor the only, US investors to drive this flow of capital abroad. US pension funds have also been forced to become more adventurous in overseas investing, though foreign assets continue to account for only a small portion of their portfolios. Declining investment returns in the US and burgeoning liabilities have together forced the pension funds to be more ambitious in the search for returns.

The pressure on pension funds is not restricted to those, mainly in the steel and auto industries, which have the biggest deficits though the extent of the underfunding has reached gargantuan proportions.

The deficit in the 50 weakest funds jumped from \$29bn to \$38bn by the end of 1992, and will have jumped by as much again by the end of this year.

While General Motors grabs the headlines for its \$14bn deficit (it expects this to become \$24bn this year), the overall picture shows a general weakening in the financial position of US pension plans.

In 1988, according to Buck Consultants in the US, 95 per cent of corporate pension plans had sufficient assets to cover obligations. By the end of 1992 the proportion had fallen to 76 per cent. Over the period the average funding ratio of US plans has fallen from 158 per cent to 135 per cent.

The funding levels have fallen fast as US interest bond yields have come down (the yields provide the discount rates used to calculate the present value of the funds' future liabilities, so falling falling bond yields have boosted liabilities). Falling bond yields have also hit investment returns, putting further pressure on funds to be more adventurous in their outlook.

But what would happen if Treasury bond yields continued to climb, in turn helping to stimulate a rise in the US dollar?

The returns (in dollar terms) available in some of the emerging markets would look far less stellar, prompting a retreat by some investors. An appreciation of the dollar against the European (and perhaps Japanese) currencies would also make US assets more attractive again. And, given that the long bond yield fell to nearly 5.5 per cent this autumn, a level of 6.5 per cent or even 7 per cent may not look so bad after all.

"The US has become the fountain of liquidity for the world. One thing that will shut it off overnight is a good correction," says Mr John Hickling, manager of Fidelity's overseas fund. The Treasury bond market's losses so far are more of a hiccup than a correction, he adds - but it is a movement already sending jitters through stockmarkets around the world.

Artificial barriers to pension investment

EU failure to agree

Just over three years ago, the European Commission began work on a directive aimed at lifting the barriers to pension fund investment and pension rights mobility across Europe.

The goal, in line with other EC directives, was to remove the artificial barriers which countries have constructed to keep their assets at home. But while great strides towards free movement in banking, insurance and investment services have passed the critical hurdles within the EU, free movement in pension investment remains an elusive goal.

"The insurance and banking directives were more far reaching than the pension directive," said Mr Emmert Drabbe, of the Commission's DG-15, which has been shepherding the directive through the system. "And those were achieved within one year."

Why liberalising pension fund investment is so thorny, when agreement is possible on banking and insurance, remains a vexing question. But the facts are that last June, the European Commission failed to agree on terms of the directive hammered out over a two-year period, and referred it back to the EU's Internal Market Council.

Since then, several meetings of the council have been held to try to work out a compromise.

There are fundamental differences in the style of pension fund provision throughout Europe. One which will allow the directive to gain the approval of all member states. But fundamental differences in the style of pension fund provision throughout Europe and varying degrees of dependence on pension scheme assets to fund public sector deficits remain obstacles.

The draft rejected by the full council contained three key elements. First, a rule barring countries from requiring minimum degrees of investment in any category or nationality of investment. Second, a rule allowing countries to set a maximum investment in any category. And third, a rule barring countries from requiring that more than 80 per cent of liabilities be financed by assets in the same currency.

This last rule, which applies to defined benefit final salary schemes, has proved to be perhaps the most controversial one of all. The directive does allow a higher ceiling of 80 per cent to apply to money-purchase defined contribution schemes.

The European Federation of Retired People (EFRP), a Europe-wide body representing pension scheme sponsors, is deeply troubled by the directive.

"We would rather have no directive than a bad directive," said Mr Koen de Ryck, permanent representative. In short, Mr de Ryck says, the directive falls far short of what is needed to help funded pension schemes achieve the kinds of returns they will need to meet retirement bills in the next century. Not only is there extensive academic research to show that currency diversification reduces risk and increases returns, but in some countries domestic markets are too small to absorb all the cash which could potentially be invested in them.

Moreover, the directive is more restrictive than what is already allowed in many EC states, thus raising the possibility that some governments will wish to roll back their relatively liberal laws and adopt those in line with the directive.

Figures from the EFRP show wide variations in the degree to which European pension schemes invest outside their home country. In the UK and Ireland, the figures are 29.88 and 35 per cent respectively, while Denmark has only 4 per cent of its assets outside the country.

Several member states point to the currency matching requirements of the insurance directive.

And while there are no investment requirements in the UK, Netherlands or Ireland, other countries do set limits both on categories of asset and non-domestic investment.

In Germany, purchases of foreign securities are limited to 5 per cent of total assets, while the total equity exposure of a pension scheme is limited to 30 per cent. Switzerland limits total equity investment to 50 per cent of assets, but foreign purchases may be no more than 30 per cent of assets. Denmark, which relies heavily on pension schemes to purchase government debt and mortgage bonds, sets a ceiling on total equity exposure at 40 per cent and foreign purchases at 15 per cent of assets.

Given these rules, it is easy to see why some EC states feel the directive goes too far. Several member states, France and Italy in particular, tried hard to raise the 60 per cent currency matching requirement to 80 per cent for all pension schemes. They point to the currency matching requirements of the EC insurance directive and ask why more liberal investment rules should apply to pensions.

Mr Emmanuel Reynard.

pensions researcher at Institute de Recherches Economiques et Sociales, the French labour think tank, said "One problem with pensions at the European level is that people do not understand each other." In France, which has almost no funded pension schemes anyway, there is no distinction between pension and insurance.

Ironically, the member states which have raised the greatest objections to the liberalising moves are those with the smallest pools of pension scheme assets. France, for instance, relies almost entirely on so-called Pay As You Go financing, in which the current generation of workers pays for its parents' retirement and has almost nothing to invest. For the French, the terms of the EC pensions directive are still academic.

With growing public sector deficits, many European governments have kept their eyes on the potential for domestic pension pools to finance their debts. Among the factors leading to the withdrawal of the proposed directive in June was opposition from the Dutch government. While there are officially no restrictions on pension fund investment there, foreign investment for its huge public sector scheme, the ABP scheme, is limited to 5 per cent of assets. The Dutch tried - and failed - to have the ABP scheme exempted from the legislation on the grounds that it is a social security system.

Similarly, the French tried and failed to have their AGIRC and ARRCO schemes classified in the same manner. "I do not believe that there will be a pensions directive," Mr Reynard said. Still, Mr Drabbe of DG 15 remains much more optimistic. The Belgians, currently holding the EU presidency, are determined to achieve a directive by the end of their term. But whether it is one which truly liberalises pension investment remains to be seen.

Norma Cohen

Japanese fund managers return to market

Brokers' prayers are answered at last

A recent visit by leading Japanese brokerage officials to the Shinjuku district, an important Tokyo stock market, may have helped to support share prices, but it seems to have brought Japanese institutional investors back into the market.

The recent falls in the stock market are pushing share prices to levels which make the Tokyo market's value seem reasonable. Leading life insurance companies recently said they were considering stepping

Public pension funds have been pumped into the market by the government to prop up share prices since the Nikkei plunged to a six year low in August last year.

The sharp appreciation of the yen attracted foreign investors, and foreigners have been the leading buyers since last March. However, a recent halt in the yen's price has caused profit taking; overseas investors have become net sellers of Japanese shares since the end of September.

Until recently, domestic investors invested heavily in the bond market. Life insurers, the largest category of institutional investor with total assets of ¥157,000bn, actively placed funds in the government bond market. Bond yields have fallen sharply as the Bank of Japan cut its discount rate to a record low 1.75 per cent.

According to brokers James Capel in Tokyo, total investments in bonds by life insurers rose by 42 per cent during the year to June, accounting for almost half of net cash flow. Government bond investments rose by 71 per cent, while local government bond investments rose by 66 per cent.

In sharp contrast to bond investments, life insurers' attitudes to shares have been conservative. Equity investment has fallen to below 20 per cent, with only 5.8 per cent, or ¥710bn of net cash flow, invested in the stock market.

The strength of the yen has taken away incentive for Japanese institutions to invest overseas. "We're trying to reduce European and US investments because of currency movements and the high prices," says a fund manager at Tokio Fire and Marine, a non-life insurance company.

Uncertainty over the NAFTA trade negotiations has also been a reason to restrain allocation of assets to the US. Overseas investments have been reduced by life insurance companies over the past year by ¥1,000bn to about 10 per cent of total assets.

Mr Kazuo Tamayama, fund manager at the second investment division of Yasuda Kasei Brinson Investment Management, expects to maintain a portfolio weighted heavily towards bond investments, keeping weightings in equities at a minimum. He expects a further rise in government bond prices, but does not see an upturn in the stock market and advises taking profits in equity holdings.

Meanwhile, Japanese fund managers have recently joined in the rush among US institu-

Japanese institutional investors may eventually have to invest in the Tokyo stock market

tions to invest in Asian markets, where growth potential is expected to overcome currency risk. Over ¥210,000bn in Asian funds has been established this year. Nomura Investment Trust set up two large scale investment trusts based in the region at the end of October.

But Mr Jason James, strategist at James Capel, believes that Japanese institutional investors are eventually going to be forced to invest in the Tokyo stock market because of the lack of alternatives.

Some insurance companies are becoming increasingly nervous about the rise in the bond market, and are starting to take profits. Growth in corporate loans, which accounts for 40 per cent of life insurers' assets, is likely to be difficult to sustain, as demand for funds is declining. Companies have slashed capital spending, and refinancing needs for equity-linked bonds issued during the late 1980s have also peaked.

Property investments have grown strongly. Mr James believes that low interest rates and low equity weightings at financial institutions offer buying opportunities which could "represent the start of a sustainable new trend."

Emiko Terazono

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INTERNATIONAL FUND MANAGEMENT V

Sara Webb reviews government bond markets

Rally may soon end

Bond investors will probably look back on the early 1990s with affection, grateful for the generous profits they have reaped from the world's main government bond markets.

With the economies of the US, Europe, Japan and Australia in recession, there was plenty of scope for investors to make gains in the fixed income markets. As inflation was brought under control, there was a strong case for lower interest rates in order to stimulate the flagging economies. (Falling rates, with a low inflation background, are generally good for bond markets.)

In the first 10 months of 1993, the high-yielding European government bond markets provided investors with returns of over 20 per cent in local currency terms. Spanish government bonds showed a gain of 23.12 per cent, while Italian government bonds rose 22.45 per cent, according to Kemper Investment Management Co.

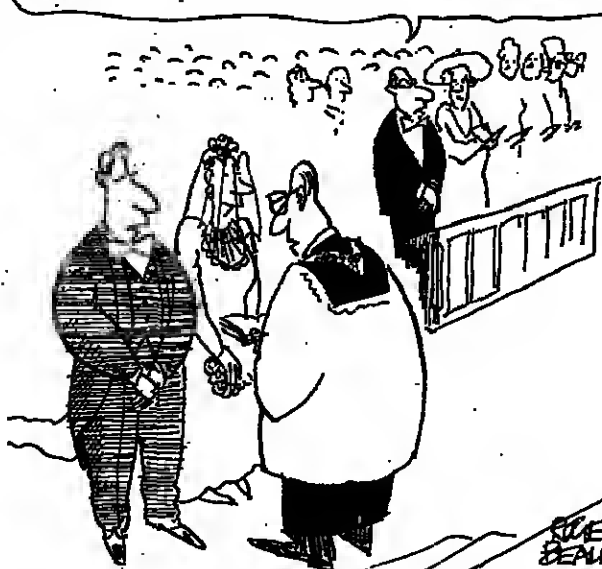
Given the strong performance of the bond markets, what is perhaps so surprising is that many institutions still place a relatively low proportion of their funds in fixed income investments. According to Cape (Combined Actuarial Performance Services), the average holding of global bonds in UK pension funds has steadily declined over the past decade. At the end of September 1993, UK pension funds held 9 per cent of their assets in global bonds (5 per cent in overseas bonds, 4 per cent in UK fixed interest). In 1982, they had nothing in overseas bond markets, but an average of 21 per cent in UK fixed income.

The question is: just how much further can the bull run in bond markets go?

Japanese yields have fallen steadily since 1991 - the official discount rate fell from 6 per cent in 1991 to 1.75 per cent in 1993, and 10-year government bond yields have declined from a high of 8.81 per cent in 1991 to a low of 3.61 per cent in November 1993. As a consequence, many international investors believe there is little more to be gained from the Japanese government bond market.

In the US, the Treasury bond market has suffered jitters

SOME SON-IN-LAW! HE ALSO PROMISED I WOULDN'T LOSE ON THE BOND MARKET



recently over whether inflation is likely to pick up, fuelling expectations that interest rates could be edging up again. One international fund manager says: "We see the global government bond rally as being very close to its end. In fact in some countries - the US, and possibly the UK - it could have gone too far already."

So much of the focus now is on continental Europe, in particular the expectation that the Bundesbank will continue to bring down its key interest rates. In the early 1990s, investors felt they could hardly go wrong in Europe. The prospect of European economic and monetary union meant that European inflation and interest rates were expected to converge gradually, while investors saw little risk on the exchange rate front because of the close currency alliance of the European exchange rate mechanism (ERM).

The result was that the Bundesbank set the pace at which other countries could lower their domestic interest rates; and as the Bundesbank stubbornly refused to lower its rates as rapidly as some of the other Europeans would have liked, more and more countries were forced either to devalue

within the ERM or to abandon their links, and when that failed, they opted for wider fluctuation bands.

The UK pound and the Italian lira broke free in autumn 1992, unable to bear the strain. The fluctuation bands were widened for most of the other currencies this summer.

For many international investors, these changes have had important consequences. Before the collapse of the ERM, investors had a tendency to lump the European markets into the D-Mark core bloc and the high-yielders.

With the system's collapse, they expected not only to see individual central banks using their freedom to ease more rapidly (they were largely disappointed), but they also realised that it was prudent to examine European markets on a more individual basis.

Nick Henderson, at Gartmore fund management, says: "Break-up of the ERM means we have to pay closer attention to individual countries - for example, Belgium. There the government bond market had been swept along on hard core currency status, but following the ERM break-up, spreads have widened and currency has remained weak."

In an industry which defines the difference between success and failure in fractions of a percentage point, costs make a difference for sharp-eyed clients asking whether the fund manager has under- or out-performed the industry median. High on the list of costs are those required for custody.

"Typically, all the leading fund managers in the UK had their own custodians," says Mr Nigel O'Sullivan, partner in the investment practice at consulting actuaries Bacon and Woodrow. "It was a fairly cosy relationship and there was no unbundling of services because pension fund trustees did not know what a custodian was."

The recent publication of a report from the UK government's advisory panel on occupational pension law, headed by Professor Roy Goode, urged that the appointment of custodians should be a function delegated to trustees, a move which Mr O'Sullivan believes will only serve to heighten awareness of just how much that service costs.

"We came across one European bank that was offering clients interest rates of three

Costs do make a difference, writes Norma Cohen

Service by fractions

percentage points below base rates on cash balances of £250,000 or less," he says. Furthermore, in the course of advising clients, Mr O'Sullivan has seen how custodial banks which habitually credit client accounts for transactions the maximum number of days after execution which the client's contract allows.

Mr O'Sullivan is one of a growing number of UK pension fund consultants specialising in advising clients how to get the most out of their custodian at the lowest cost. Consultants of a similar stripe have been carrying on a land office business in the US for years, with the result that prices for the basic master custody service have been driven down to barely profitable levels.

Consultants urge clients to consider the various components of a custodian's service, and examine whether each can be obtained more cheaply

through the use of several providers. Awareness about fees is accompanied by increasingly complex client needs. The use of derivative instruments for sophisticated hedging strategies is becoming an accepted element of investment. Investment strategies around the world increasingly require cross-border fund movements.

Emerging markets have spurred demand for the 'global custodian'

A study prepared by InterSec Research Corp, a pension fund research group, concludes that US pension funds transferred nearly \$50bn abroad in the first six months of 1993. This compares with \$30bn which went abroad in the whole of 1992. Of that, \$2bn went into emerging markets. By contrast, at the end of 1992, US investment in

emerging markets was \$5.4bn in total. The later development has in particular spurred demand for the so-called global custodian - the custodian who can service the client's needs in any number of centres, especially investments in emerging markets. According to Phillips and Drew Fund Management's 1993 survey of investment industry trends, there has been an increasing use of global custodians by clients. Some say this may be somewhat misleading. "They are choosing custodians with global capacity," says Mr Michael Borkan, vice president at Bank of New York's custody business. "But what they really want are a series of regional custodians."

Mr Simon Murray, consultant at Davis International Banking Consultants, says that some European banks still do not offer interest on cash balances, and have tended not to have made the significant

systems investments, thus forcing them to be more labour-intensive and more expensive.

But Mrs Adrienne Cooper, partner at Coopers & Lybrand, the accountancy firm, says that price is typically not at the top of the list of criteria for clients selecting a custodian. Mrs Cooper, who carried out a comprehensive study of custodial services in Britain for a leading UK insurance company, says: "People talk about all these added services. But what they really want is to have all the basic stuff done well. Better than if they had done it themselves."

"But it is important to say that most of the outfits contracting for custodial services don't know what it is costing them."

One UK pension fund which has loudly advocated greater transparency in custodial charges is ESN, which manages the £12.5bn pension scheme of the privatised electricity companies. "You appoint a custodian and you appoint a fund manager on the basis that you have clarity of responsibility and clarity of cost," says Mr Brian Matthews, finance director.

Tracy Corrigan looks at derivatives

Slow to catch on to their potential uses

may be difficult to realise that profit by selling on the option, because of the market's illiquidity.

The difficulties involved in performance measurement can prove a deterrent. And some trustees still do not allow institutions to use derivatives. "It would be much easier if we could use derivatives across the board, but we can't," says one manager.

These difficulties are exacerbated by a lack of familiarity with these instruments. It is widely accepted that the US fund management industry is at least a few years ahead of Europe in this area. Often, the institutions most sophisticated in using derivatives have appointed a specialist head of derivatives, and/or employed staff with a background in derivative markets. One such is Mr Rob Gambi, head of fixed interest and currencies at AMP Asset Management, the UK-based fund management group owned by the Australian insurance company.

The complexities of options pricing hold no mystery for Mr Gambi, a former derivatives specialist at a bank

who used to price options for a living. For him, derivatives are "multi-dimensional", allowing more complex views to be expressed. When an investor buys bonds or shares, he takes the view that they are going to go up. With derivatives, he can take the view that they are going to go down - and within a certain period of time.

There are a number of ways, other than straightforward asset allocation, in which some fund managers are using derivatives.

● WRITING OPTIONS:

If a fund manager has an overweight position in a particular market, and thinks he may already have caught most of the rally, he may decide to write call options against that position. This is called covered call writing. It is common among UK fund managers, who frequently write options against their UK equity portfolios. Writing, or selling, options earns additional revenue, thereby enhancing returns, but if the fund manager does not already hold the underlying securities it can be a dangerous game.

● HEDGING:

If a fund manager expects a market to rally, without being certain when, derivatives can be used for protection. If a bond fund manager is overweight in US Treasuries and overweight in European bonds, because he is bullish on the European market but concerned that European bonds will underperform in the next three months, he can hedge by buying options on the spread between the two markets.

The more specific the hedge, the cheaper it is to buy - you are only paying for what you get. So knock-out options - which expire if the price of the underlying security falls below a certain level - have been popular.

● RISK ENHANCEMENT:

Derivatives can be used to adjust risk in ways which are not possible in the cash market, and which may involve taking on new risk, but will pay off in several different scenarios.

"Nine times out of 10, forward contracts are the best instruments for currency hedging. Options are more complicated and less liquid," says Mr Andrew MacLaren, assistant director at UBS Asset Management in London.

Mr Gambi says he is more likely to use derivatives for bonds than for currencies: "Let's say I'm fully invested in global bonds, but I want dollar not D-mark exposure: I can hedge forward my D-marks into dollars. That is what I would call hard exposure - you make money all the way up and lose money all the way down."

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Precious metals put on a spurt

By Kenneth Gooding, Mining Correspondent

Precious metals went through a brief torrid interlude yesterday afternoon as a sudden burst of buying on the New York Commodity Exchange sent prices surging upwards. Silver led the way by gaining nearly 4 per cent to touch \$4.62 a troy ounce at one point, gold jumped to \$377 an ounce and platinum reached \$374.

Analysts said buying, mainly by New York funds, was prompted by the announcement of economic data showing a surge in construction spending and a big rise in the National Association of Purchasing Managers' index. These data suggested a strong US economic recovery, which

might eventually cause a rise in inflation, they pointed out. The surge spilled over to trading in London where the shorts - or those who had sold metal they did not own in the expectation of buying it later at a lower price - rushed to cover their positions.

However, the excitement died away as quickly as it appeared.

One trader suggested that the funds pushed prices up through various important points on the technical charts and, having achieved their objectives, allowed prices to drop back again.

Gold closed in London at \$445 an ounce at \$375.45, silver at \$4.57, up 18 cents an ounce, while platinum closed at \$366.75, up 10 cents up at \$366.75.

Pakistan set for another disappointing cotton crop

By Farhan Bokhari in Islamabad

Pakistan's cotton output will be at least 15 per cent below target this year.

"We will not be able to achieve our targets and we may stay in the range of 10m bales," said Mr Chaudhary Ahmed Mukhtar, the minister of state for commerce. That would represent a shortfall of 2m bales.

Pakistan had expected a bumper cotton crop of over

12m bales, but large losses were caused by inadequate rainfall and a subsequent pest attack in the province of Punjab. Last year the crop was 2m bales below target because of widespread floods.

Mr Mukhtar was still hopeful, however, that some of the production loss would be compensated by higher international prices. Pakistan expects that its leading cotton market competitors, such as India and China, will also face shortfalls because of crop damage.

British Gas in Polish deal

By Christopher Bobinski in Warsaw

British Gas has been granted oil and gas exploration rights in a 9,000 sq km area 100km west of Warsaw. The British company is expected to spend US\$20m over the next three years on the project.

Amoco was granted petroleum exploration rights in

Poland just over a year ago and is also to drill for coalbed methane in Silesia in projects worth a total of US\$30m.

The Polish government is also talking to a Shell-Exxon consortium on exploration rights in an area east of Poznan, while a new tender closing next April has just been opened for sites further east of Poznan and east of Gdansk.

UK poultry industry 'at disadvantage'

By Deborah Hargreaves

More stringent application of European Union rules in the British poultry industry is costing companies around \$50m more than their competitors in other member states, according to the National Farmers' Union.

Mr Norman Brook, NFU poultry chairman, told a House of Commons select committee that he believed the UK industry's costs were \$50.4m higher than those of French companies. In addition, he estimated that tighter salmonella rules added up a dozen to the cost of producing eggs in the UK.

UK poultry producers were operating on very low margins, which gave them little ability to invest in new equipment in line with tighter regulations on animal health, according to Mr John Maumder, managing director of Lloyd Maumder, poultry producers.

"I believe we lead Europe in animal welfare regulations. The industry is making a massive investment by January 1995 in new equipment," he told the committee. The industry must bring its equipment up to meet standards set in the EU's Battery Cage directive which Mr Maumder estimated would cost about £10 a bird.

Poultry industry representatives told the committee that a settlement of the General Agreement on Tariffs and Trade would put further pressure on producers with an expected large increase in imports to the EU. In addition, restrictions on export subsidies that would accompany a GATT agreement could see French producers finding it harder to export outside the EU and diversify sales into the US.

Separately, the British Egg Industry Council told the committee that annual egg consumption in the UK had dropped from 225 a person to 177 over the past five years. Free-range eggs' market share had risen to 15 per cent over the same period, and was expected to grow to 20 per cent by the end of the decade.

Farm exit bonds 'could save EU £3.8bn a year'

By Alison Maitland

The European Union could save about £3.8bn a year in agricultural spending in the short-term under a bond scheme that would replace open-ended subsidies for farmers, according to a study published today.

The study, published by the European Policy Forum, a London-based think-tank, examines options for so-called exit bonds, which would guarantee farmers a sum equivalent to the subsidies they replace, but only for a fixed period, in this case 15 years.

After that, all financial support would end and farmers

would be subject to market forces.

Barclays Bank economist Mr Philip Poole, who wrote the report, said recent reforms of the common agricultural policy did not go far enough.

"Medium term budgetary savings are unlikely, particularly in view of the prospects for EU enlargement to include agricultural producers in central and eastern Europe," he said. "Reconciling the revamped CAP regime with global trading rules is also problematic under existing plans for reform."

His report draws on proposals put forward by Prof Stefan Tengermann, applying them to

a specific sector - UK wheat production - in order to examine their likely impact.

Mr Poole suggests that farmers could choose between two kinds of exit bonds. The first, income-only bond, would pay interest in the form of a coupon for a fixed term, while the second would provide no income but grow in value until maturity.

The bonds would be tradeable on a secondary market, so that farmers who wanted to leave the industry could sell them and re-invest in some other activity, such as leisure facilities. Alternatively, farmers could use the bond as collateral for a loan to restructure

their holdings, for example by cutting food production and diversifying into a non-farm business.

"The only rationale for continuing the subsidisation of agriculture is that farmers have invested over an extended period on the basis of previous EC policy and you need to give them time to readjust," said Mr Poole. "This gives them that opportunity with a guaranteed period of subsidy but then they have to live with the market."

Mr Poole suggests that the near-term annual savings to the CAP budget, standing at £3.8bn this year, would be about £3.8bn, assuming that

15 per cent of farmers choose the second bond option to take advantage of its higher sale value in order to leave the industry. This is because subsidies to those farmers would end immediately and the EU would not have to pay out on the bond for 15 years.

Exit bonds would also remove the need for set-aside, since they would bring about the shrinkage in arable production which set-aside is designed to achieve, Mr Poole said.

Reform of the Common Agricultural Policy: the use of exit bonds. European Policy Forum, 20 Queen Anne's Gate, London SW1H 9AA. Free.

Estonia's hot rock industry shows its age

The republic's oil shale sector faces severe cost problems, writes Matthew Kaminski

Large black mounds dot the flat landscape along the southern Gulf of Finland coast. These mountains of ash are sombre monuments to Estonia's oil shale industry and the environmental damage it has inflicted on the area over the past 70 years.

Ecological questions are less peripheral than they were under Soviet rule, but the newly independent state is being forced to restructure its energy sector in the face of mounting economic costs.

Thanks to oil shale, Estonia enjoys a measure of self-sufficiency rare among former Soviet republics. The fossil fuel covers half the country's energy needs, including all electricity demand, according to the International Monetary Fund. Worryingly, however, output has been falling from the equivalent of 5m tonnes of oil in 1980 to 4.2m tonnes in 1992. The drop would be even more marked but for sustained electricity exports to Latvia.

Age and inefficiency are the chief culprits at all three levels of production: mining, retorting and upgrading.

Estonia's only natural resource, the oil-bearing rock, is mined at three open pits and

two underground mines near Kohila Jarve, an hour's drive east of Tallinn, the capital. Since the 1920s, plants have turned the fossil fuel source into liquid fuel and electricity by retorting, or heating, and then upgrading.

Because of high costs, the mines are not extracting fast enough to meet demand. Imported explosives are too expensive, accounting for a full third of all costs associated with oil shale production. Little can be done about that, but the consultancy Arthur D. Little said in a recent study that costs could be reduced by buying new machinery and selecting mining sites more wisely.

The retorting operations, using ancient gas-generators, also desperately need new equipment to improve efficiency. Normally, state-owned enterprises would be privatised to do this, but the retorts are not hot items. "They're awful. Nobody will buy it," says Mr Jaan Uustalu, of the Estonian Ministry of economics.

Instead the government plans to sell off subsidised divisions at two of the three chemical factories, such as the ammonia and urea production operations, and keep profitable

production of shale oil, the fuel product, in state hands for another ten to 15 years. Shale oil production at present fails to meet its profit potential, reckoned at around \$60m a year, because the other divisions eat the money.

Kivivil and Kohila Jarve, the two plants, also face staff reductions. The larger Kohila Jarve plant, with 3,500 employees, would ideally have to lay off half the employees to be profitable, according to Mr Uustalu.

Kivivil is starting to move into the black after recently cutting its workforce from 2,500 to 1,100. The small plant's advantages are illustrative: it operates 400 tonnes retorts, rather than the 1,000-tonne units used at Kohila Jarve, to get better yields and higher quality of shale oil and to use less energy.

The broader economic question, hotly debated in Estonia, revolves around price. Since spring producers have pressed for a rise in the state-set lump oil shale price, which is below cash low minimums needed by the mines. The government did raise the price from EKR36 to EKR45 a tonne on October 21, but only after pressure from

Eesti Energia, the state electricity company.

Mr Uustalu estimates that, to reflect true cost, the price must go up to EKR65 per tonne. But the government fears this might stoke inflation. The latest increase electricity raised costs by some 27 per cent, compared with an inflation rate of just 5.6 per cent.

The processing factories are also worried. Arthur D. Little found Kivivil could afford to buy oil shale at prices up to EKR110.5 a tonne but Kohila Jarve would be forced into bankruptcy if the price was set at EKR65 a tonne.

At current low prices, however, the industry as a whole suffers. Declining output hurts lucrative exports on the world market, shale oil fetches \$75 a tonne, raised to \$105 a tonne in Rotterdam by the inclusion of transport.

More importantly, if mined and processed correctly, oil shale could help make up for the drop in Russian oil imports by supplying at least a quarter of domestic fuel needs, up from below 20 per cent today. Last year Finland helped the country through the tough winter with a 100,000-tonne delivery of heating oil, but Estonia needs

a more fecund domestic fuel industry.

Western governments are equally, if not more, worried about the high environmental cost. Oil shale mining has left a legacy of pollution around Kohila Jarve with an estimated 350m tonnes of untreated waste pumped out of the mines annually. The Purtsi River is biologically dead and local bathes recount coming out of areas streams covered with black ash.

The large ash mounds are another problem: they have a 10 per cent organic content, which slowly leaks out.

Finland allotted FMR37.4m (\$6.5m) last year to help ease environmental problems in Estonia, oil shale pollution chief among them. But no active cleaning operation is under way. "Everyone is there looking at it and thinking about it. The hotels are happy," comments an Estonian government official.

The last, less discussed, alternative would leave the oil shale in the ground until the price went up or a less costly way was found to develop Estonia's unique resource. But few in Tallinn can afford such patience.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Anonymous Metal Trading)

ALUMINIUM, 99.97% (p per tonne)

	Close	High	Low	Settle
Previous	1054.5-5.5	1075-5.5		
High/Low	1042.5-5.5	1050-5.5		
AM Official	1053-3.5	1079/1082		
Kerb close	1074-5.5	1075-5.5		
Open int.	268,082			
Total daily turnover	34,316			

ALUMINIUM ALLOY (p per tonne)

	Close	High	Low	Settle
Previous	920-33	950-5		
High/Low	921-4	948-8		
AM Official	923-4	948-50		
Kerb close	943-3	948-53		
Open int.	2,532			
Total daily turnover	737			

LEAD (p per tonne)

	Close	High	Low	Settle
Previous	430-1	443-5-4		
High/Low	419-20	432-3-3		
AM Official	448/436			
Kerb close	426.5-5.5	442-3		
Open int.	27,414			
Total daily turnover	7,732			

NICKEL (p per tonne)

	Close	High	Low	Settle
Previous	4880-5	4732-40		
High/Low	4850-5	4702-9		
AM Official	4750/4885			
Kerb close	4635-40	4830-700		
Open int.	46,775			
Total daily turnover	7,110			

ZINC (p per tonne)

	Close	High	Low	Settle
Previous	425-35	457-5-5		
High/Low	425-35	452-3		
AM Official	425-35	452-3		
Kerb close	425-35	452-3		
Open int.	15,015			
Total daily turnover	2,625			

ZINC, special high grade (p per tonne)

	Close	High	Low	Settle
Previous	924.5-5.5	954-5-5		
High/Low	924.5-5.5	942-3		
AM Official	924.5-5.5	942-3		
Kerb close	924.5-5.5	942-3		
Open int.	91,235			
Total daily turnover	23,918			

COPPER, grade A (p per tonne)

	Close	High	Low	Settle
Previous	1643-5	1668-4-5		
High/Low	1643-5	1653-5-5		
AM Official	1643-5	1653-5-5		
Kerb close	1643-5	1653-5-5		
Open int.	201,590			
Total daily turnover	67,789			

LME ALUMINIUM (p per tonne)

	Close	High	Low	Settle
Previous	1478-5	1478-5		
High/Low	1478-5	1478-5		
AM Official	1478-5	1478-5		
Kerb close	1478-5	1478-5		
Open int.	14,798			
Total daily turnover	1,424			

LME ZINC (p per tonne)

	Close	High	Low	Settle
Previous	1478-5	1478-5		
High/Low	1478-5	1478-5		
AM Official	1478-5	1478-5		
Kerb close	1478-5	1478-5		
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	Close	High	Low	Settle
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High/Low	1478-5	1478-5		
AM Official	1478-5	1478-5		
Kerb close	1478-5	1478-5		
Open int.	14,			

LONDON SHARE SERVICE**INVESTMENT TRUSTS - Con**[illegible]

Vegetables	98	100
Grainery House	10	10

Greyhounds	N	239d		22d
Greyhound Dev.	N	130	+1	30
Group Dev.		36		40
HTR Japanese Snafr	N	887c	+43c	90
Wards		47		64
Wardens Employm.	N	167	+1	111
Units	N	144	+1	148
Zoro Pct.		132	+1	367c
Wardens Highland		33	+1	26
Wards		33	+1	26
Boare GT Snafr Cos J.	N	289d	+0	129
Wards		126	+0	223
Hong Kong	N	88	+3c	557c
Wardens		40		
Zoro Dev P1		354	+3c	357c

S&S Operations		36	+8	90
Zoro Dev P1	N	2577c	+17c	2557c
Boare GT Snafr Co's J.	N	88	+0	40
Wards		30	+1	32
Investors Cos	N	148	+3	148

Pray & Stone Est Cap <input type="checkbox"/>	92	+1	92
Wetracks	25	+1	25

Henry J. Simon 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Package Units	120 1/2	120 1/2	120 1/2
Common Units	120 1/2	120 1/2	120 1/2

[illegible]

8	358	+12	368
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600
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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Coral Cuts Mean 175 More Deaths

[illegible][illegible][illegible][illegible][illegible]

Fidelity Administration Ltd (F500)		16-18 Bedford Sq, London WC2R 3EU		Tel: 01-479 3000	
Administrative Director	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Finance Director	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Marketing Director	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Operations Director	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Human Resources Director	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Legal Director	Mr J. H. H. H.	100.00	100.00	100.00	100.00
IT Director	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Public Relations Director	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Security Director	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Training Director	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Welfare Director	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Company Secretary	Ms J. H. H. H.	100.00	100.00	100.00	100.00
Director of Finance	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Marketing	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Operations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Human Resources	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Legal	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of IT	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Public Relations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Security	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Training	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Welfare	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Company Secretary	Ms J. H. H. H.	100.00	100.00	100.00	100.00
Director of Finance	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Marketing	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Operations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Human Resources	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Legal	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of IT	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Public Relations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Security	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Training	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Welfare	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Company Secretary	Ms J. H. H. H.	100.00	100.00	100.00	100.00
Director of Finance	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Marketing	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Operations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Human Resources	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Legal	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of IT	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Public Relations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Security	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Training	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Welfare	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Company Secretary	Ms J. H. H. H.	100.00	100.00	100.00	100.00
Director of Finance	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Marketing	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Operations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Human Resources	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Legal	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of IT	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Public Relations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Security	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Training	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Welfare	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Company Secretary	Ms J. H. H. H.	100.00	100.00	100.00	100.00
Director of Finance	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Marketing	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Operations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Human Resources	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Legal	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of IT	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Public Relations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Security	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Training	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Welfare	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Company Secretary	Ms J. H. H. H.	100.00	100.00	100.00	100.00
Director of Finance	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Marketing	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Operations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Human Resources	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Legal	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of IT	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Public Relations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
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Director of Training	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Welfare	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Company Secretary	Ms J. H. H. H.	100.00	100.00	100.00	100.00
Director of Finance	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Marketing	Mr J. H. H. H.	100.00	100.00	100.00	100.00
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Director of Training	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Welfare	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Company Secretary	Ms J. H. H. H.	100.00	100.00	100.00	100.00
Director of Finance	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Marketing	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Operations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Human Resources	Mr J. H. H. H.	100.00	100.00	100.00	100.00
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Director of Marketing	Mr J. H. H. H.	100.00	100.00	100.00	100.00
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Director of Marketing	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Operations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
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Director of Legal	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of IT	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Public Relations	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Security	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Training	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Welfare	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Company Secretary	Ms J. H. H. H.	100.00	100.00	100.00	100.00
Director of Finance	Mr J. H. H. H.	100.00	100.00	100.00	100.00
Director of Marketing	Mr J. H. H. H.	10			

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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FT MANAGED FUNDS SERVICE

FT Cyteline Unit Trust Prices are available over the telephone. Call the FT Cyteline Help Desk on (071) 873 4378 for more details.

JERSEY (REGULATED)										
Fund Name	Unit Price	Change	Yield	Assets	Manager	Fund Name	Unit Price	Change	Yield	
Jersey Fund 1	1.12	+0.01	5.2%	£100m	JP Morgan	Jersey Fund 2	1.05	+0.02	4.8%	£100m
Jersey Fund 3	1.08	+0.01	5.5%	£100m	JP Morgan	Jersey Fund 4	1.02	+0.01	5.1%	£100m
Jersey Fund 5	1.01	+0.01	5.3%	£100m	JP Morgan	Jersey Fund 6	1.03	+0.01	5.4%	£100m
Jersey Fund 7	1.04	+0.01	5.2%	£100m	JP Morgan	Jersey Fund 8	1.06	+0.01	5.3%	£100m
Jersey Fund 9	1.07	+0.01	5.4%	£100m	JP Morgan	Jersey Fund 10	1.09	+0.01	5.5%	£100m
Jersey Fund 11	1.11	+0.01	5.6%	£100m	JP Morgan	Jersey Fund 12	1.13	+0.01	5.7%	£100m
Jersey Fund 13	1.15	+0.01	5.8%	£100m	JP Morgan	Jersey Fund 14	1.17	+0.01	5.9%	£100m
Jersey Fund 15	1.20	+0.01	6.0%	£100m	JP Morgan	Jersey Fund 16	1.22	+0.01	6.1%	£100m
Jersey Fund 17	1.25	+0.01	6.2%	£100m	JP Morgan	Jersey Fund 18	1.27	+0.01	6.3%	£100m
Jersey Fund 19	1.30	+0.01	6.4%	£100m	JP Morgan	Jersey Fund 20	1.32	+0.01	6.5%	£100m
Jersey Fund 21	1.35	+0.01	6.6%	£100m	JP Morgan	Jersey Fund 22	1.37	+0.01	6.7%	£100m
Jersey Fund 23	1.40	+0.01	6.8%	£100m	JP Morgan	Jersey Fund 24	1.42	+0.01	6.9%	£100m
Jersey Fund 25	1.45	+0.01	7.0%	£100m	JP Morgan	Jersey Fund 26	1.47	+0.01	7.1%	£100m
Jersey Fund 27	1.50	+0.01	7.2%	£100m	JP Morgan	Jersey Fund 28	1.52	+0.01	7.3%	£100m
Jersey Fund 29	1.55	+0.01	7.4%	£100m	JP Morgan	Jersey Fund 30	1.57	+0.01	7.5%	£100m
Jersey Fund 31	1.60	+0.01	7.6%	£100m	JP Morgan	Jersey Fund 32	1.62	+0.01	7.7%	£100m
Jersey Fund 33	1.65	+0.01	7.8%	£100m	JP Morgan	Jersey Fund 34	1.67	+0.01	7.9%	£100m
Jersey Fund 35	1.70	+0.01	8.0%	£100m	JP Morgan	Jersey Fund 36	1.72	+0.01	8.1%	£100m
Jersey Fund 37	1.75	+0.01	8.2%	£100m	JP Morgan	Jersey Fund 38	1.77	+0.01	8.3%	£100m
Jersey Fund 39	1.80	+0.01	8.4%	£100m	JP Morgan	Jersey Fund 40	1.82	+0.01	8.5%	£100m
Jersey Fund 41	1.85	+0.01	8.6%	£100m	JP Morgan	Jersey Fund 42	1.87	+0.01	8.7%	£100m
Jersey Fund 43	1.90	+0.01	8.8%	£100m	JP Morgan	Jersey Fund 44	1.92	+0.01	8.9%	£100m
Jersey Fund 45	1.95	+0.01	9.0%	£100m	JP Morgan	Jersey Fund 46	1.97	+0.01	9.1%	£100m
Jersey Fund 47	2.00	+0.01	9.2%	£100m	JP Morgan	Jersey Fund 48	2.02	+0.01	9.3%	£100m
Jersey Fund 49	2.05	+0.01	9.4%	£100m	JP Morgan	Jersey Fund 50	2.07	+0.01	9.5%	£100m
Jersey Fund 51	2.10	+0.01	9.6%	£100m	JP Morgan	Jersey Fund 52	2.12	+0.01	9.7%	£100m
Jersey Fund 53	2.15	+0.01	9.8%	£100m	JP Morgan	Jersey Fund 54	2.17	+0.01	9.9%	£100m
Jersey Fund 55	2.20	+0.01	10.0%	£100m	JP Morgan	Jersey Fund 56	2.22	+0.01	10.1%	£100m
Jersey Fund 57	2.25	+0.01	10.2%	£100m	JP Morgan	Jersey Fund 58	2.27	+0.01	10.3%	£100m
Jersey Fund 59	2.30	+0.01	10.4%	£100m	JP Morgan	Jersey Fund 60	2.32	+0.01	10.5%	£100m
Jersey Fund 61	2.35	+0.01	10.6%	£100m	JP Morgan	Jersey Fund 62	2.37	+0.01	10.7%	£100m
Jersey Fund 63	2.40	+0.01	10.8%	£100m	JP Morgan	Jersey Fund 64	2.42	+0.01	10.9%	£100m
Jersey Fund 65	2.45	+0.01	11.0%	£100m	JP Morgan	Jersey Fund 66	2.47	+0.01	11.1%	£100m
Jersey Fund 67	2.50	+0.01	11.2%	£100m	JP Morgan	Jersey Fund 68	2.52	+0.01	11.3%	£100m
Jersey Fund 69	2.55	+0.01	11.4%	£100m	JP Morgan	Jersey Fund 70	2.57	+0.01	11.5%	£100m
Jersey Fund 71	2.60	+0.01	11.6%	£100m	JP Morgan	Jersey Fund 72	2.62	+0.01	11.7%	£100m
Jersey Fund 73	2.65	+0.01	11.8%	£100m	JP Morgan	Jersey Fund 74	2.67	+0.01	11.9%	£100m
Jersey Fund 75	2.70	+0.01	12.0%	£100m	JP Morgan	Jersey Fund 76	2.72	+0.01	12.1%	£100m
Jersey Fund 77	2.75	+0.01	12.2%	£100m	JP Morgan	Jersey Fund 78	2.77	+0.01	12.3%	£100m
Jersey Fund 79	2.80	+0.01	12.4%	£100m	JP Morgan	Jersey Fund 80	2.82	+0.01	12.5%	£100m
Jersey Fund 81	2.85	+0.01	12.6%	£100m	JP Morgan	Jersey Fund 82	2.87	+0.01	12.7%	£100m
Jersey Fund 83	2.90	+0.01	12.8%	£100m	JP Morgan	Jersey Fund 84	2.92	+0.01	12.9%	£100m
Jersey Fund 85	2.95	+0.01	13.0%	£100m	JP Morgan	Jersey Fund 86	2.97	+0.01	13.1%	£100m
Jersey Fund 87	3.00	+0.01	13.2%	£100m	JP Morgan	Jersey Fund 88	3.02	+0.01	13.3%	£100m
Jersey Fund 89	3.05	+0.01	13.4%	£100m	JP Morgan	Jersey Fund 90	3.07	+0.01	13.5%	£100m
Jersey Fund 91	3.10	+0.01	13.6%	£100m	JP Morgan	Jersey Fund 92	3.12	+0.01	13.7%	£100m
Jersey Fund 93	3.15	+0.01	13.8%	£100m	JP Morgan	Jersey Fund 94	3.17	+0.01	13.9%	£100m
Jersey Fund 95	3.20	+0.01	14.0%	£100m	JP Morgan	Jersey Fund 96	3.22	+0.01	14.1%	£100m
Jersey Fund 97	3.25	+0.01	14.2%	£100m	JP Morgan	Jersey Fund 98	3.27	+0.01	14.3%	£100m
Jersey Fund 99	3.30	+0.01	14.4%	£100m	JP Morgan	Jersey Fund 100	3.32	+0.01	14.5%	£100m
Jersey Fund 101	3.35	+0.01	14.6%	£100m	JP Morgan	Jersey Fund 102	3.37	+0.01	14.7%	£100m
Jersey Fund 103	3.40	+0.01	14.8%	£100m	JP Morgan	Jersey Fund 104	3.42	+0.01	14.9%	£100m
Jersey Fund 105	3.45	+0.01	15.0%	£100m	JP Morgan	Jersey Fund 106	3.47	+0.01	15.1%	£100m
Jersey Fund 107	3.50	+0.01	15.2%	£100m	JP Morgan	Jersey Fund 108	3.52	+0.01	15.3%	£100m
Jersey Fund 109	3.55	+0.01	15.4%	£100m	JP Morgan	Jersey Fund 110	3.57	+0.01	15.5%	£100m
Jersey Fund 111	3.60	+0.01	15.6%	£100m	JP Morgan	Jersey Fund 112	3.62	+0.01	15.7%	£100m
Jersey Fund 113	3.65	+0.01	15.8%	£100m	JP Morgan	Jersey Fund 114	3.67	+0.01	15.9%	£100m
Jersey Fund 115	3.70	+0.01	16.0%	£100m	JP Morgan	Jersey Fund 116	3.72	+0.01	16.1%	£100m
Jersey Fund 117	3.75	+0.01	16.2%	£100m	JP Morgan	Jersey Fund 118	3.77	+0.01	16.3%	£100m
Jersey Fund 119	3.80	+0.01	16.4%	£100m	JP Morgan	Jersey Fund 120	3.82	+0.01	16.5%	£100m
Jersey Fund 121	3.85	+0.01	16.6%	£100m	JP Morgan	Jersey Fund 122	3.87	+0.01	16.7%	£100m
Jersey Fund 123	3.90	+0.01	16.8%	£100m	JP Morgan	Jersey Fund 124	3.92	+0.01	16.9%	£100m
Jersey Fund 125	3.95	+0.01	17.0%	£100m	JP Morgan	Jersey Fund 126	3.97	+0.01	17.1%	£100m
Jersey Fund 127	4.00	+0.01	17.2%	£100m	JP Morgan	Jersey Fund 128	4.02	+0.01	17.3%	£100m
Jersey Fund 129	4.05	+0.01	17.4%	£100m	JP Morgan	Jersey Fund 130	4.07	+0.01	17.5%	£100m
Jersey Fund 131	4.10	+0.01	17.6%	£100m	JP Morgan	Jersey Fund 132	4.12	+0.01	17.7%	£100m
Jersey Fund 133	4.15	+0.01	17.8%	£100m	JP Morgan	Jersey Fund 134	4.17	+0.01	17.9%	£100m
Jersey Fund 135	4.20	+0.01	18.0%	£100m	JP Morgan	Jersey Fund 136	4.22	+0.01	18.1%	£100m
Jersey Fund 137	4.25	+0.01	18.2%	£100m	JP Morgan	Jersey Fund 138	4.27	+0.01	18.3%	£100m
Jersey Fund 139	4.30	+0.01	18.4%	£100m	JP Morgan	Jersey Fund 140	4.32	+0.01	18.5%	£100m
Jersey Fund 141	4.35	+0.01	18.6%	£100m	JP Morgan	Jersey Fund 142	4.37	+0.01	18.7%	£100m
Jersey Fund 143	4.40	+0.01	18.8%	£100m	JP Morgan	Jersey Fund 144	4.42	+0.01	18.9%	£100m
Jersey Fund 145	4.45	+0.01	19.0%	£100m	JP Morgan	Jersey Fund 146	4.47	+0.01	19.1%	£100m
Jersey Fund 147	4.50	+0.01	19.2%	£100m	JP Morgan	Jersey Fund 148	4.52	+0.01	19.3%	£100m
Jersey Fund 149	4.55	+0.01	19.4%	£100m	JP Morgan	Jersey Fund 150	4.57	+0.01	19.5%	£100m
Jersey Fund 151	4.60	+0.01	19.6%	£100m	JP Morgan	Jersey Fund 152	4.62	+0.01	19.7%	£100m
Jersey Fund 153	4.65	+0.01								

CURRENCIES AND MONEY

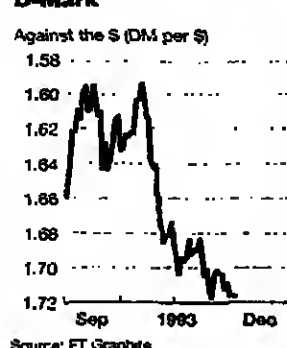
MARKETS REPORT

£ falters after Budget

After its initially-positive reaction to the Chancellor's Budget on Tuesday, the pound fell back yesterday to close a touch lower than it started the day.

Even though UK shares enjoyed one of the biggest rallies of the year and gilts continued to rise on the back of the Budget, writes Rachel Johnson.

D-Mark



£ Pound in New York	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th	14th	15th	16th	17th	18th	19th	20th	21st	22nd	23rd	24th	25th	26th	27th	28th	29th	30th	31st
1st	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
2nd	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
3rd	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
4th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
5th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
6th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
7th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
8th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
9th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
10th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
11th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
12th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
13th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
14th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
15th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
16th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
17th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
18th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
19th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
20th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
21st	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
22nd	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
23rd	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
24th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
25th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
26th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
27th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
28th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
29th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
30th	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790
31st	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790	1.790

But other factors were clearly contributing to take the post-Budget shine off the pound. Topmost among them was investor fears of further cuts in UK interest rates, combined with the view that sterling's level was about right for the moment.

Mr Roger Bootle, UK economist at Midland Montagu, the securities house, said that it was a little disappointing that demand for sterling had evaporated so fast after the Budget, but the market clearly had its reasons.

"The pound's effective range is DM2.40-DM2.50. As soon as sterling started trading comfortably above DM2.40, it was too much downside," he said.

Above that level the authorities start becoming concerned about UK competitiveness, he said.

On the Bank of England's trade-weighted index against a basket of currencies, sterling opened at 81.7 and closed a touch weaker at 81.6, as dealers sold off after the small rise in the currency. Against the dollar, the pound slipped to \$1.486 after a previous \$1.495, and against the D-Mark it closed lower at DM2.543, after a previous DM2.547.

The Chancellor's fiscal tightening and unexpected cut in government spending underpinned the currency late on Tuesday and provoked a 66-point rise in the FTSE 100 share index early yesterday afternoon.

On monetary conditions, Midland economists could not understand why the money markets were showing such

dicted a shortage of £1.15bn (revised from an earlier £200m) during the day, which it relieved with total help of £501m. The Bank bought £141m of bank one bank bills at the established rate of 5% per cent.

● The dollar was guided by a revision in the US gross domestic product figures to 2.7 per cent after a previous 2.3 per cent in the third quarter. Economists had expected the revision to produce a number closer to 3 per cent, but rationalised the figure by recalling the heavy disruption caused by flooding in the Midwest during the three months. Growth for the final quarter is expected to be near 4 per cent.

Meanwhile, the November survey of the National Association of Purchasing Management in Detroit pointed to a drop of 2.1 points to 80.0. But economists said it reflected strength in production, new orders and employment.

● There was bad news on the world trade talks, which are due to be finished in exactly a fortnight's time. Mr Edouard Balladur, the French prime minister, said that the European Union must have an outline accord on the Uruguay Round of the GATT trade talks well before December 15, and said there had been no progress on four problem areas.

● The D-Mark's weaker tone following on from remarks made by Mr Hans Tietmeyer, the new Bundesbank president, which helped to depress the currency on Tuesday - continued yesterday. The chances of an early easing in the Lombard or discount rates disappeared following the announcement that the Bundesbank would hold no news conference after its regular fortnightly council meeting today. This heightened expectation that the Bundesbank would take advantage of slower growth in broad money and lower inflation to ease on December 15. The central bank's last rate cut, on October 22, however, took the markets by surprise. During the day, the Bundesbank withdrew DM15.1bn in this week's fixed-rate, 6.25 per cent repo. This left call money firm not far below the 6% per cent Lombard rate.

● The Bank of England pre-

POUND SPOT FORWARD AGAINST THE POUND

Dec 1	Closing mid-point	Change on day	Bi-daily spread	Day's high/low	One month %PA	Three months %PA	One year %PA	Bank of England Index					
Europe													
Austria	(Sch)	17.925	-0.002	910 - 940	17.98	17.84	17.3324	-0.5	17.9400	-0.3	114.7		
Belgium	(Bfr)	53.75	-0.15	700 - 800	53.50	53.50	53.875	-2.8	54.02	-0.2	54.495	-1.3	114.2
Denmark	(DKr)	10.08	-0.03	055 - 085	10.0950	10.0375	10.099	-0.5	10.1275	-0.7	10.2175	-1.7	114.1
France	(Ffr)	8.818	-0.074	061 - 031	8.8950	8.8000	8.7997	-1.5	8.8114	-1.3	8.8243	-0.9	107.7
Germany	(DM)	2.5425	-0.005	540 - 645	2.5525	2.5375	2.5453	-1.3	2.5481	-0.9	2.5476	-0.2	124.2
Greece	(Dr)	366.23	-	690 - 580	365.750	384.100	-	-	-	-	-	-	102.0
Italy	(Lit)	247	-0.003	540 - 580	246.50	246.50	246.50	-1.9	2.0487	-1.0	1.054	-0.7	124.2
Luxembourg	(Lfr)	2539.25	-0.675	000 - 500	2540.00	2532.00	2537	-4.1	2591.45	-0.7	28825.00	-3.4	75.9
Netherlands	(Gld)	92.75	-0.15	700 - 800	93.60	93.60	95.849	-2.8	94.02	-0.8	94.495	-1.3	114.1
Norway	(Nkr)	206.75	-0.005	540 - 645	206.75	206.75	206.75	-0.5	206.85	-0.4	206.84	-0.1	119.3
Portugal	(Pta)	11.0525	-0.0175	047 - 057	11.0600	11.0300	11.0593	-0.7	11.0635	-0.1	11.05	0.0	86.6
Spain	(Pes)	980	-1.25	500 - 500	20.776	20.99	20.9149	-0.7	20.9315	-0.6	20.9315	-0.6	86.6
Sweden	(Skr)	206.75	-0.005	540 - 645	206.75	206.75	206.75	-0.5	206.85	-0.4	206.84	-0.1	119.3
Switzerland	(Sfr)	12.54	-0.0025	335 - 245	12.6235	12.5276	12.588	-0.7	12.6015	-0.2	12.7278	-1.6	72.9
United Kingdom	(Sterling)	2.215	-0.125	210 - 220	2.2325	2.2100	2.2194	-0.6	2.2104	0.8	2.1888	1.2	114.1
USA	(Doll)	1.3295	-0.0035	335 - 245	1.3260	1.3205	1.3296	-1.9	1.3281	-1.4	1.3338	-0.8	87.2
ECU	(ECU)	0.931	-	-	-	-	-	-	-	-	-	-	87.2
Americas													
Argentina	(Peso)	1.4775	-0.009	477 - 478	1.4830	1.4735	-	-	-	-	-	-	-
Australia	(Aust)	354.11	-0.235	100 - 120	355.000	349.000	-	-	-	-	-	-	-
Canada	(Cdn)	1.9955	-0.0115	975 - 978	1.9940	1.9745	1.9732	1.4	1.9693	1.3	1.9648	0.5	91.0
Chile	(New Peso)	1.4605	-0.0129	585 - 586	1.4640	1.4580	-	-	-	-	-	-	-
Colombia	(COP)	1.4955	-0.004	900 - 910	1.4980	1.4765	1.4782	1.8	1.4737	1.9	1.4913	1.3	87.2
Pacific/Wide Area													
Algeria	(Dinar)	2.249	-0.008	249 - 250	2.2550	2.2445	2.2477	0.7	2.2458	0.8	2.2433	0.3	-
Hong Kong	(HK\$)	11.434	-0.008	438 - 436	11.4750	11.4050	11.4186	1.7	11.3981	1.7	11.2003	1.2	-
India	(Rs)	49.8	-0.05	450 - 550	45.50	45.30	-	-	-	-	-	-	-
Indonesia	(Rp)	190.75	-0.15	700 - 800	192.25	192.25	190.32	2.2	190.45	3.2	155.93	3.2	181.4
Malaysia	(M\$)	3.78	-0.0225	785 - 787	3.8000	3.7750	-	-	-	-	-	-	-
New Zealand	(NZ\$)	2.7075	-0.017	705 - 710	2.7190	2.7025	2.7085	-0.4	2.7093	-0.3	2.7208	-0.5	-
Philippines	(P\$)	180.75	-0.15	700 - 800	182.25	182.25	-	-	-	-	-	-	-
Saudi Arabia	(Riyal)	5.553	-0.015	552 - 554	5.5575	5.5380	-	-	-	-	-	-	-
Singapore	(S\$)	2.3675	-0.014	368 - 388	2.3775	2.3615	-	-	-	-	-	-	-
Tanzania	(Sh)	4.9889	-0.0225	868 - 890	5.0005	4.9790	-	-	-	-	-	-	-
Thailand	(Baht)	8.866	-0.0075	874 - 874	8.8715	8.8515	-	-	-	-	-	-	-
South Korea	(Won)	119.62	-0.75	100 - 300	120.75	119.00	-	-	-	-	-	-	-
Taiwan	(N\$)	39.65	-0.25	800 - 800	40.00	38.75	-	-	-	-	-	-	-
Thailand	(Baht)	8.866	-0.0075	874 - 874	8.8715	8.8515	-	-	-	-	-	-	-

+/- High Low Yld P/R				+/- High Low Yld P/R				+/- High	
1	2	3	4	5	6	7	8	9	10

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AMERICA

Economic data help lift Dow from lows

Wall Street

An overnight rally by the Tokyo stock market, more favourable news on the US economy and a resilient bond market lifted Wall Street out of the doldrums yesterday morning, writes Frank McGurty in New York.

By 1pm, the Dow Jones Industrial Average climbed 20.67 to 3,704.62, after flirting with a record high level during mid-morning. The more broadly based Standard & Poor's 500 was 1.63 higher at 463.42. Secondary markets also were stronger, with the American Stock Exchange composite up 1.46 at 461.49, and the Nasdaq composite 6.98 higher at 761.37. Volume on the NYSE was heavy, with 170m shares traded by 1pm.

The US Treasury market once again set the tone. After a much stronger-than-expected reading of business activity in Chicago on Tuesday, bond traders were lured for more unfavourable news when the US purchasing managers'

monthly index was released yesterday.

In the event, the index showed a moderate gain to 55.7 per cent, from 53.8 per cent in October, bringing a measure of relief to traders fearing the worst. The 30-year benchmark government bond was 3/8 higher at 98 1/8 by midday, to yield 6.27 per cent.

Sentiment was also buoyed by the Commerce Department's announcement of a 2.5 per cent increase in October construction spending in October, the largest since March 1992.

Amid the fresh signs of steady economic growth, cyclical issues were among the session's strongest performers. Deere & Co, the farm equipment maker, was up 3/4 to \$71.37. Chrysler added 1/4 to \$33.34, while Allied Signal was 3/8 higher at \$72.

Whirlpool, the diversified manufacturing group, added 3/4 to \$61.44 after Merrill Lynch said a recent price decline left the stock undervalued.

Boeing shed 3/4 to \$38.41 following published reports that

the Seattle aerospace concern would further cut production and employment.

Disney was marked up 1/4 to \$41.14 on an upbeat assessment of attendance prospects for the Euro Disney theme park, in which the US company has a 49 per cent stake.

On the Nasdaq, America Online was marked up \$2 to \$67.44 after it announced plans to develop interactive television services with Intel and General Instrument. Intel gained 1/4 to \$62.20. On the NYSE, General Instrument was 3/4 lower at \$53.4.

Canada

TORONTO was firm at midday as precious metals held onto earlier gains and energy issues received a technical bounce. The TSE 300 composite index improved 21.64 to 4201.85 in volume of 34.55m shares worth C\$355m.

The gold and silver index was up 12.45 or 1.7 per cent at 1,176.31.

Among gold stocks, Franco-Nevada jumped C\$4 to C\$29.4.

EUROPE

Bourses gain ahead of Buba meeting

Bourses were encouraged by signals that the Bundesbank might cut rates today, writes Our Markets Staff.

FRANKFURT put on a good performance ahead of the Bundesbank meeting, although opinion among analysts remained divided as to whether there would be a further round of cuts. Many expect the bank to wait until December 16.

The DAX index closed just below the day's high, up 32.01 or 1.6 per cent at 2,068.78.

Sentiment was also helped, said Mr Eckhard Frahm at Merck Finck, by an improvement in machinery orders which showed an order inflow up some 17 per cent in October.

Daimler was one of the day's main movers, the shares gaining DM19.30 to DM734.00, as investors were encouraged by co-operation talks between the German group and Mitsubishi of Japan.

Thyssen underperformed the market, rising just 40 pf to DM297.90, after reporting a loss in 1992/1993 of nearly DM10m and omitting the dividend.

PARIS rose some 2 per cent in good turnover as the market looked forward to a year end rally on renewed optimism for lower interest rates. Even the rise in jobless figures did not affect the rally as the CAC-40 index gained 43.89 to 2,153.89.

Turnover was FF45bn. Euro Disney featured with a rise of FF4.20 to FF36.45 on hopes that negotiations over financial restructuring were proceeding. However, suggestions in the French media that its US parent was to inject fresh capital were erroneous, the group said.

ZURICH was boosted by better than expected economic data, taking shares 1.3 per cent higher to an all-time record close. The SMI index added 35.8 to 2,774.3.

Domestic led demand picked up on figures showing that November inflation fell to 2.2 per cent, its lowest level since January 1989, and compared with expectations of between 2.5 and 2.7 per cent.

The mood was enhanced by news that seasonally-adjusted GDP rose 0.6 per cent in the

FT-SE Actuaries Share Indices

Dec. 1	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Actuaries 100	1323.91	1327.45	1330.82	1331.00	1332.82	1334.24	1335.36	1335.24
FT-SE Actuaries 200	1438.49	1441.00	1445.20	1445.24	1446.05	1446.41	1446.22	1446.21

	Nov. 30	Nov. 29	Nov. 28	Nov. 27	Nov. 26
FT-SE Actuaries 100	1328.12	1344.70	1346.86	1343.06	1338.41
FT-SE Actuaries 200	1438.02	1447.23	1452.87	1451.14	1438.91

Nov index 1992 (percentage) High/Low: 100 - 1352.82/200 - 1452.00 London 100 - 1327.77/200 - 1438.46

third quarter, compared with a 1.1 per cent decline in the same 1992 period.

Banks led the advance with better shares in UBS jumping SF14 to SF13.27.

Exporters were also strong with recent positive US economic figures being seen as enhancing their prospects. Registered shares in Nestlé, at the top of the active list, rose SF13 to SF11.72.

AMSTERDAM was another market to be supported by positive sentiment throughout the continent with the CBS Tendency index adding 1.3 or almost 1 per cent to 132.2.

The internationals were all firmer with Elsevier in particular gaining from arbitrage to

end up FI 4.50 at FI 161.20. ING added FI 1.20 to FI 85.40 ahead of today's results which are expected to be broadly positive.

STOCKHOLM rose 2.9 per cent, the Affärsvärden index adding 38.40 to 1,342.00. The market was led higher by a SKR30 or 9.8 per cent rise in Volvo's B shares to SKR444 as opposition grew to the proposed merger with Renault.

MILAN remained inhibited by political uncertainties ahead of this weekend's second round of local elections and the Comit index shed 3.90 to 544.66.

Flat added 1.125 to 13.915 in the wake of analysts' recommendations while Olivetti rose L60 to L1.806. In the opposite direction, Generali shed L608

to L36,056 on the back of one large sell order.

Montedison shed L31.5 to L755.80 as shareholders approved its capital increase and the group outlined investment plans.

MADRID rebounded on late institutional buying and the general index rose 5.60 or 1.9 per cent to 296.54 in heavy volume of Pta 35.4bn. The market took its lead from the strength of foreign markets and a cut in the one year treasury bond yield at the day's tender.

Banks, hard hit in recent days, led the advance. Banesto rose Pta110 or 5.3 per cent to Pta3,200 and Santander added Pta280 or 4.6 per cent to Pta5,390. Sevillana led electricals with a Pta40 or 6.8 per cent rise to Pta581.

ATHENS continued higher, still pinning hopes on the announcement today of tax policies favourable for investors. The general index ended added 14.25 or 1.7 per cent to 877.26 in turnover of Dr5.5bn.

Written and edited by John Pitt and Michael Morgan.

US drug stocks affected by health care reforms

Paul Abrahams on the afflictions of the sector

US drug stocks have had a torrid year so far. Since the beginning of January, the Standard & Poor's drug index has underperformed the S & P composite by 18 per cent.

The reasons for this are not hard to find. The sector, which generates an unusually large proportion of sales outside the US, has been hit by health care reform in most of its international markets, as well as changes in its domestic customer base.

Growth of the US market, the world's most important, has decelerated rapidly over the last 12 months. IMS International, the market research company, estimates that it expanded at only 4 per cent during the first nine months of this year, compared with the same period last year. Until last year it was enjoying double-digit growth.

The deceleration has been caused not by the Clinton reforms, but by changes in the customer base. Hospitals, doctors and other purchasers of drugs are increasingly grouping together to purchase drugs.

These managed groups, often more interested in the price of a drug than its safety and effectiveness, represent an increasingly large proportion of the drugs market. They are also negotiating ever greater discounts from pharmaceutical companies.

The drugs groups' difficulties in the US have been exacerbated by a series of significant patent expiries. These affect sales of not only the off-patent drug but its patented competitors as well.

Many drugs groups are cutting prices to compete in this new environment. The Clinton reforms, encouraging the creation of health alliances, can only assist the market's deceleration. At the same time, pharmaceutical earnings have also been hit by changes in the tax regime in Puerto Rico, where many of the US companies make their medicines.

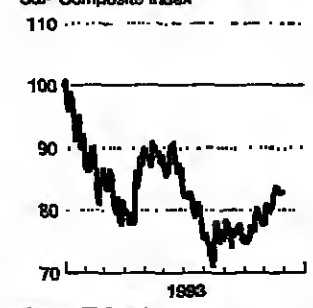
US groups have found little help through exports. The Japanese market, the world's sec-

ond largest, is growing at only 4 per cent, while Europe's top seven countries generated zero growth during the first nine months of this year compared with the same period last year.

But although all US groups are facing similar problems, their abilities to weather the health care storm vary enormously. Analysts have spent the last 12 months trying to explain to investors the differences between the haves and the have nots of the drugs industry.

US pharmaceuticals

S&P drug sector relative to the S&P Composite Index



Source: FT Graphics

industry. They have almost completely failed.

The differences between the companies are immense. At one extreme there is Syntex, the Californian-based group. The US patents of its most important product, Naprosyn, expire this month and effects will devastate the company.

Naprosyn's US sales were \$760m last year, compared with group pharmaceuticals turnover of \$1.8bn. Its shares have underperformed the drugs market by 12 per cent since the beginning of the year.

At the other extreme is Merck & Co, the world's biggest drugs group. Its shares have also underperformed the drugs sector by 12 per cent, yet its underlying volume growth rate is about 9 per cent.

Another star with a disappointing stock market performance is Pfizer. Its volume growth remains in double digits and its main problem is minimising its profits to prevent political embarrass-

ment. Yet it has only underperformed the drugs sector by 3 per cent and is underperforming against the market.

Those that have done well against the sector this year are not the industry's traditional stars. Warner-Lambert, normally seen as a dull consumer products, chewing gum and confectionery company - with a few drugs tacked on - has outperformed the sector by 9 per cent so far this year.

Upjohn, which has been struggling with the patent expiries of three of the group's leading drugs over the past 12 months, has also done well: its shares are 10 per cent higher than the sector on the basis of takeover rumours. At one stage it was outperforming by 26 per cent.

The only company whose stock market performance has matched its commercial performance has been Schering-Plough. The analysts' favourite this year, with its young portfolio of products, its strong position in antihistamines, its programme of operating margin improvement, and its powerful pipeline of new drugs, the company has outperformed the sector by 18 per cent. Even so, the shares are only 5 per cent up since January.

The drugs industry is not, however, as fragmented as it is portrayed. The market is fragmented, with Merck, the world's largest drugs group, controlling little more than 5 per cent of the market; there are about six important therapeutic areas which cover many different diseases; for each disease there may be four or five different classes of drugs that can be used; in each class there may be as many as 15 different drugs; and each of these probably has three different names.

When all drugs groups were generating 15 per cent earnings growth, such complexity did not matter. Now, in spite of the quality of some drugs companies, it is not surprising that many managers have been disinclined to increase their weighting. The sector is too difficult for its own good.

Tokyo

Tuesday's rush of promises to support the economy by ministers and financial authorities prompted short-covering and bargain hunting, and the Nikkei average jumped 4.4 per cent, to 17,125.31 after a day's low of 16,429.94 and high of 17,188.22, while the Topix index gained 69.81, or 5.1 per cent, at 1,443.87. In London the ISE/Nikkei 50 index put on a 1.71 at 1,169.12.

Investors actively sought shares after Mr Morihito Hosokawa, the prime minister, told parliament that he would take whatever measures necessary to revive the economy.

Mr Yasuo Ueki at Nikko Securities said investors were also cheered by Tuesday's comments from leading ministers regarding the implementation of a land tax reform to boost the ailing property market.

"Investors saw this as the government's pledge to finally deal with asset deflation," he added.

However, there is still concern over the parliamentary debate on political reform, which is currently being stalled due to talks over the supplementary budget. Mr Hosokawa has pledged that he would resign if he could not introduce the reforms this year.

Volume rose to 370m shares from 332m. Advances overwhelmed declines by 1,064 to 42, with 41 issues unchanged.

Banks, which have been especially hit during the recent falls, recovered ground. Industrial Bank of Japan rose Y170 to Y2,360 and Sumitomo Bank gained Y220 to Y2,000.

East Japan Railway advanced Y12,000 to Y427,000, while Nippon Telegraph and Telephone moved ahead Y45,000 to Y729,000.

High-technology stocks

SOUTH AFRICA

The market moved ahead in active trading following a few days of uncertainty. The gold shares index strengthened 31 to 1,857, industrials rose 52 to 4,903 and the overall index added 45 to 4,209. De Beers gained R1.70 to R85.45.

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High-technology stocks

MID OCEAN REINSURANCE COMPANY LTD.

ANNUAL RESULTS

- Commenced Operations, November 1992
- Initial Capital \$359 million
- Initial Public Offering, August 1993
- Increasing Capital by \$325 million
- Capital & Surplus at October 31st, 1993 \$769 million
- Premiums written first 12 months \$257 million
- Net Income for year \$67.6 million
- Loss Reserves at October 31st, 1993 \$71.3 million
- Mid Ocean Limited (Holding Company)
- Quoted on NASDAQ (symbol MOCNF)

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FT-ACTUARIES WORLD INDICES

Journal compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	US Dollar Index	Day's Change	Tuesday 30 Nov 1993	Monday 29 Nov 1993	Monday 28 Nov 1993	Monday 27 Nov 1993	Monday 26 Nov 1993	Monday 25 Nov 1993	Monday 24 Nov 1993	Monday 23 Nov 1993	Monday 22 Nov 1993	Monday 21 Nov 1993	Monday 20 Nov 1993	Monday 19 Nov 1993	Monday 18 Nov 1993	Monday 17 Nov 1993	Monday 16 Nov 1993	Monday 15 Nov 1993	Monday 14 Nov 1993	Monday 13 Nov 1993	Monday 12 Nov 1993	Monday 11 Nov 1993	Monday 10 Nov 1993	Monday 9 Nov 1993	Monday 8 Nov 1993	Monday 7 Nov 1993	Monday 6 Nov 1993	Monday 5 Nov 1993	Monday 4 Nov 1993	Monday 3 Nov 1993	Monday 2 Nov 1993	Monday 1 Nov 1993	Monday 31 Oct 1993	Monday 30 Oct 1993	Monday 29 Oct 1993	Monday 28 Oct 1993	Monday 27 Oct 1993	Monday 26 Oct 1993	Monday 25 Oct 1993	Monday 24 Oct 1993	Monday 23 Oct 1993	Monday 22 Oct 1993	Monday 21 Oct 1993	Monday 20 Oct 1993	Monday 19 Oct 1993	Monday 18 Oct 1993	Monday 17 Oct 1993	Monday 16 Oct 1993	Monday 15 Oct 1993	Monday 14 Oct 1993	Monday 13 Oct 1993	Monday 12 Oct 1993	Monday 11 Oct 1993	Monday 10 Oct 1993	Monday 9 Oct 1993	Monday 8 Oct 1993	Monday 7 Oct 1993	Monday 6 Oct 1993	Monday 5 Oct 1993	Monday 4 Oct 1993	Monday 3 Oct 1993	Monday 2 Oct 1993	Monday 1 Oct 1993	Monday 30 Sep 1993	Monday 29 Sep 1993	Monday 28 Sep 1993	Monday 27 Sep 1993	Monday 26 Sep 1993	Monday 25 Sep 1993	Monday 24 Sep 1993	Monday 23 Sep 1993	Monday 22 Sep 1993	Monday 21 Sep 1993	Monday 20 Sep 1993	Monday 19 Sep 1993	Monday 18 Sep 1993	Monday 17 Sep 1993	Monday 16 Sep 1993	Monday 15 Sep 1993	Monday 14 Sep 1993	Monday 13 Sep 1993	Monday 12 Sep 1993	Monday 11 Sep 1993	Monday 10 Sep 1993	Monday 9 Sep 1993	Monday 8 Sep 1993	Monday 7 Sep 1993	Monday 6 Sep 1993	Monday 5 Sep 1993	Monday 4 Sep 1993	Monday 3 Sep 1993	Monday 2 Sep 1993	Monday 1 Sep 1993	Monday 30 Aug 1993	Monday 29 Aug 1993	Monday 28 Aug 1993	Monday 27 Aug 1993	Monday 26 Aug 1993	Monday 25 Aug 1993	Monday 24 Aug 1993	Monday 23 Aug 1993	Monday 22 Aug 1993	Monday 21 Aug 1993	Monday 20 Aug 1993	Monday 19 Aug 1993	Monday 18 Aug 1993	Monday 17 Aug 1993	Monday 16 Aug 1993	Monday 15 Aug 1993	Monday 14 Aug 1993	Monday 13 Aug 1993	Monday 12 Aug 1993	Monday 11 Aug 1993	Monday 10 Aug 1993	Monday 9 Aug 1993	Monday 8 Aug 1993	Monday 7 Aug 1993	Monday 6 Aug 1993	Monday 5 Aug 1993	Monday 4 Aug 1993	Monday 3 Aug 1993	Monday 2 Aug 1993	Monday 1 Aug 1993	Monday 31 Jul 1993	Monday 30 Jul 1993	Monday 29 Jul 1993	Monday 28 Jul 1993	Monday 27 Jul 1993	Monday 26 Jul 1993	Monday 25 Jul 1993	Monday 24 Jul 1993	Monday 23 Jul 1993	Monday 22 Jul 1993	Monday 21 Jul 1993	Monday 20 Jul 1993	Monday 19 Jul 1993	Monday 18 Jul 1993	Monday 17 Jul 1993	Monday 16 Jul 1993	Monday 15 Jul 1993	Monday 14 Jul 1993	Monday 13 Jul 1993	Monday 12 Jul 1993	Monday 11 Jul 1993	Monday 10 Jul 1993	Monday 9 Jul 1993	Monday 8 Jul 1993	Monday 7 Jul 1993	Monday 6 Jul 1993	Monday 5 Jul 1993	Monday 4 Jul 1993	Monday 3 Jul 1993	Monday 2 Jul 1993	Monday 1 Jul 1993	Monday 30 Jun 1993	Monday 29 Jun 1993	Monday 28 Jun 1993	Monday 27 Jun 1993	Monday 26 Jun 1993	Monday 25 Jun 1993	Monday 24 Jun 1993	Monday 23 Jun 1993	Monday 22 Jun 1993	Monday 21 Jun 1993	Monday 20 Jun 1993	Monday 19 Jun 1993	Monday 18 Jun 1993	Monday 17 Jun 1993	Monday 16 Jun 1993	Monday 15 Jun 1993	Monday 14 Jun 1993	Monday 13 Jun 1993	Monday 12 Jun 1993	Monday 11 Jun 1993	Monday 10 Jun 1993	Monday 9 Jun 1993	Monday 8 Jun 1993	Monday 7 Jun 1993	Monday 6 Jun 1993	Monday 5 Jun 1993	Monday 4 Jun 1993	Monday 3 Jun 1993	Monday 2 Jun 1993	Monday 1 Jun 1993	Monday 31 May 1993	Monday 30 May 1993	Monday 29 May 1993	Monday 28 May 1993	Monday 27 May 1993	Monday 26 May 1993	Monday 25 May 1993	Monday 24 May 1993	Monday 23 May 1993	Monday 22 May 1993	Monday 21 May 1993	Monday 20 May 1993	Monday 19 May 1993	Monday 18 May 1993	Monday 17 May 1993	Monday 16 May 1993	Monday 15 May 1993	Monday 14 May 1993	Monday 13 May 1993	Monday 12 May 1993	Monday 11 May 1993	Monday 10 May 1993	Monday 9 May 1993	Monday 8 May 1993	Monday 7 May 1993	Monday 6 May 1993	Monday 5 May 1993	Monday 4 May 1993	Monday 3 May 1993	Monday 2 May 1993	Monday 1 May 1993	Monday 30 Apr 1993	Monday 29 Apr 1993	Monday 28 Apr 1993	Monday 27 Apr 1993	Monday 26 Apr 1993	Monday 25 Apr 1993	Monday 24 Apr 1993	Monday 23 Apr 1993	Monday 22 Apr 1993	Monday 21 Apr 1993	Monday 20 Apr 1993	Monday 19 Apr 1993	Monday 18 Apr 1993	Monday 17 Apr 1993	Monday 16 Apr 1993	Monday 15 Apr 1993	Monday 14 Apr 1993	Monday 13 Apr 1993	Monday 12 Apr 1993	Monday 11 Apr 1993	Monday 10 Apr 1993	Monday 9 Apr 1993	Monday 8 Apr 1993	Monday 7 Apr 1993	Monday 6 Apr 1993	Monday 5 Apr 1993	Monday 4 Apr 1993	Monday 3 Apr 1993	Monday 2 Apr 1993	Monday 1 Apr 1993	Monday 31 Mar 1993	Monday 30 Mar 1993	Monday 29 Mar 1993	Monday 28 Mar 1993	Monday 27 Mar 1993	Monday 26 Mar 1993	Monday 25 Mar 1993	Monday 24 Mar 1993	Monday 23 Mar 1993	Monday 22 Mar 1993	Monday 21 Mar 1993	Monday 20 Mar 1993	Monday 19 Mar 1993	Monday 18 Mar 1993	Monday 17 Mar 1993	Monday 16 Mar 1993	Monday 15 Mar 1993	Monday 14 Mar 1993	Monday 13 Mar 1993	Monday 12 Mar 1993	Monday
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